

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

ABN 45 001 335 182

**Annual report
for the year ended 31 December 2021**

Australian Chamber Orchestra Pty Limited and its controlled entities

ABN 45 001 335 182

Annual report - 31 December 2021

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Australian Chamber Orchestra Pty Limited and its controlled entities
Directors' report
31 December 2021

The directors present the report on the consolidated entity consisting of Australian Chamber Orchestra Pty Limited and its controlled entities at the end of, or during, the year ended 31 December 2021. 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, unless otherwise stated:

G Belgiorno-Nettis AM
E Lewin
W D Best
J Crawford
E Flaherty
J Kench
A Lee
M Myer AO
H Ridout AO
P Shorthouse
J Steiner AM
J G Taberner
S D Yeo
J Fisher (appointed 4 November 2021)
M Haysom (appointed 2 March 2022)

Principal activities

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

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 (2020: \$nil).

Operating result

The underlying general operations is a trading deficit of \$2,138,034 (2020: \$1,517,159 deficit) as per extracts which follow.

The general operations trading deficit is before the 2021 extraordinary surplus impacts of \$8,788,347 (2020: \$4,593,840), consisting of:

- Extraordinary COVID support income is \$2,361,303 (2020: \$3,554,226) , made up of:
 - NSW State and Federal Government support solely in response to COVID \$1,733,824 (2020: \$1,560,415) and
 - Generous one-off ticket donations from our patrons for cancelled 2021 live performances due to COVID \$627,479 (2020: \$1,993,811).

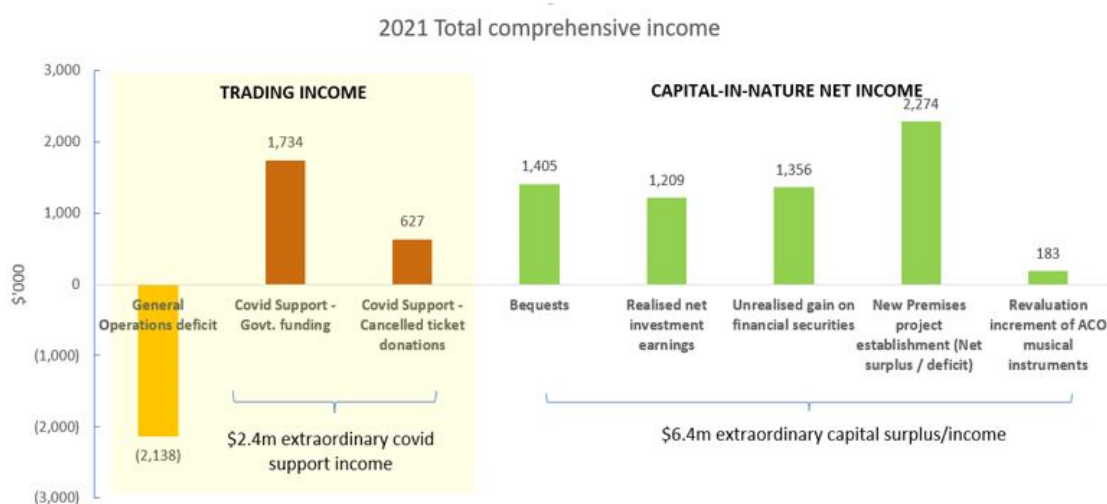
- Extraordinary capital-in-nature net surplus of \$6,427,044 (2020: \$1,039,614), consisting of:
 - Bequests of \$1,405,431 (2020: \$70,539 surplus),
 - Realised net investment earnings of \$1,208,737 (2020: \$171,705 surplus),
 - Recognition of an unrealised net gain on financial securities of \$1,355,867 (2020: \$65,691 surplus) as at 31 December,
 - Revaluation increment on ACO owned musical instrument valuations due solely to exchange rate movements of \$182,566 (2020: \$294,909 deficit), and
 - Net surplus contribution for the ACO New Premises Project at Pier 2/3 from donors despite COVID, of \$2,274,444 (2020: \$1,026,588 surplus) after direct establishment expenditure.

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

Operating result (continued)

Once these extraordinary items are included, the 2021 overall total comprehensive income for the year is \$6,650,314 (2020: \$3,076,681).

There does remain considerable downside risk in our forward programs, and it may take several years to return to consistent performance levels and revenue of the pre-COVID era. Consistent with our not-for-profit status, all surpluses are reinvested in the mission of the Australian Chamber Orchestra.



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

	2021 \$	2020 \$
General operations trading deficit	(2,138,034)	(1,517,159)
Extraordinary COVID support income:		
COVID support - government revenue funding	1,733,824	1,560,415
COVID support - cancelled ticket donations	627,479	1,993,811
Total COVID support	2,361,303	3,554,226
Extraordinary capital-in-nature net income:		
Bequests	1,405,431	70,539
Realised net investment earnings	1,208,737	171,705
Unrealised gain on financial securities	1,355,867	65,691
Revaluation increment of ACO musical instruments	182,566	(294,909)
New premises project – donations	2,674,896	1,097,250
New premises project – establishment expenditure	(400,452)	(70,662)
New premises project - net contribution surplus	2,274,444	1,026,588
Total extraordinary capital-in-nature net income	6,427,045	1,039,614
Total comprehensive income for the year	6,650,314	3,076,681

Australian Chamber Orchestra Pty Limited and its controlled entities
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31 December 2021
(continued)

Operating result (continued)

Summarised Extract of Consolidated Statement of Surplus and Other Comprehensive Income

	2021	2020
	\$	\$
General operations trading deficit	(2,138,034)	(1,517,159)
Extraordinary impacts:		
Extraordinary COVID support income	2,361,303	3,554,226
Extraordinary capital-in-nature net income	6,427,045	1,039,614
	8,788,348	4,593,840
Total comprehensive income for the year	6,650,314	3,076,681

Significant changes in the state of affairs

There was no significant change in the nature of the activity of the group during the year.

The COVID outbreak was declared a pandemic by the World Health Organisation in March 2020. The Australian Federal and State Governments' responses of limiting the general public's movement within the community during the pandemic has impacted the group's operations since 2020. The group has worked within Government guidelines and continued to provide services to customers, however had to cancel numerous live programs again in 2021, including 35 national subscription season performances. With the continued extraordinary COVID support from government relief packages and generous donations from patrons for cancelled 2021 live performances, there was no significant financial impact on the group for the period ended 31 December 2021. The ongoing COVID situation is unprecedented and the group will continue to monitor the potential implications of the pandemic and the impact on operations, which may include disruptions to the supply chain, availability of employees and changes in customer demand to reduce any operational/cash flow pressures on the group.

Event since the end of the financial year

On 11 March 2022, the ACO signed the lease documentation for our new premises at Pier 2/3 with the NSW Government. From this date substantial contractual, capital payments owing to the NSW Government for these new premises commence. 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.

No other matter or circumstance has arisen since 31 December 2021 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.

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. 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).

Mr W D Best

Non-Executive Director since 29 July 2008

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.

Ms J Crawford

Non-Executive Director appointed 27 April 2017

Judy Crawford has been a philanthropist for more than 30 years, supporting a range of causes and charities. She has a long and enthusiastic history of championing change. Judy's involvement in charitable organisations 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.

Information on directors (continued)

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. She is Chairman and Independent Non-Executive Director of Morphic Ethical Equities (MEC.ASX) and Independent Member of the Australian Catholic Superannuation and Retirement Fund's Investment Committee. JoAnna was appointed to the Australian Chamber Orchestra Instrument Fund Pty Limited as a Director on 23 November 2021 and as Chairman on 15 March 2022. She was previously a Non-Executive Director of Mainstream Group (MAI.ASX) and Quantum Funds Management. Prior executive roles included Senior executive at Commonwealth Wholesale Bank and Bankers Trust in Tokyo, New York and London.

Ms E Flaherty

Non-Executive Director appointed 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.

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.

Mr J Kench

Non-Executive Director appointed 27 April 2017

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.

Mr A Lee

Non-Executive Director since 1 March 2016

Anthony Lee moved to Australia from Hong Kong in 1987 and is a private investor based in Sydney. He is a board member of Beyond International Limited (ASX listed) and Hysan Development Company Limited and Television Broadcasts Limited (both companies listed on the Hong Kong Stock Exchange). Anthony is also a trustee of Princeton University. 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.

Information on directors (continued)

Mr M Myer AO

Non-Executive Director appointed 24 October 2017

Martyn Myer has 25 plus years of experience in executive and non-executive board and chair roles in private and public companies, not-for-profit organisations and philanthropic foundations. Martyn currently is Chairman of Cosgate Ltd and sits on the boards of the Australian Chamber Orchestra, Watertrust Australia and Fishermans Bend Melbourne. 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 H Ridout AO

Non-Executive Director since 5 December 2012

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: Australian Chamber Orchestra; 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 BEc (hons) from the University of Sydney, an honorary Doctor of Business (honoris causa) from both Macquarie University and The University of Ballarat.

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.

Information on directors (continued)

Mr P Shorthouse

Non-Executive Director appointed 27 August 2019

Peter Shorthouse is a Senior Partner at Crestone Wealth Management and has 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 has 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.

Mr J G Taberner

Non-Executive Director since 29 August 2001

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 is also a Director of the Australian Chamber Instrument Fund Pty Ltd and of ACOUK and ACOUS. He is also a Director of Enova Community Energy Ltd (and three related companies) and of Ballina Solar Farm Pty Ltd.

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.

New premises strategic project:

The ACO has a long-held desire to have its own home and in 2021 it remained in the final planning stages of securing its new premises as part of the revitalised Walsh Bay Arts Precinct Project at Pier 2/3.

The ACO estimates that the cost of all furniture, fittings and equipment, NSW Government payments, design and consultancy and relocation costs to be incurred in future years is likely to be circa \$21 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. \$2,674,896 in cash donations were received during 2021 [life-to-date as at 31 December 2021, \$13,049,905 (\$10,375,009 as at 31 December 2021)].

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 into its new registered office at Suite 3, 13A Hickson Road, Dawes Point, NSW 2000.

Review of operation

2021 heralded a new musical era for the ACO with the launch of a ground-breaking hybrid season of live and digital concerts. This bold season was planned to feature seven live concert programs, opening in New South Wales in February and touring nationally from May 2021, alongside the ACO's inaugural concert film season, ACO StudioCasts, featuring seven spectacular 50-minute concert films.

Review of operation (continued)

The ACO presented 31 live public performances across locations including Sydney, Melbourne, Canberra, Newcastle, Wollongong, Bellingen, Armidale, Dungog and Healesville, in a year that we endured six months of concert cancellations due to ongoing lockdowns and border closures. Alongside the ACO's 2021 live season, ACO StudioCasts, an immersive and cinematic season of seven bespoke concert films, were presented. In late 2021, one of the StudioCasts, *Love & Transfiguration*, was awarded Best Director in the 2021 Directors Guild Awards.

Our ACO Learning & Engagement Program was delivered throughout the year, with live projects switching online as required. The Program included 24 performances of *Wilfred Gordon McDonald Partridge*, an engaging co-presentation with Sydney Opera House for young children and their families, that was recently awarded the 'Best Production for Children' Award at the Sydney Theatre Awards.

In late 2021 the ACO resumed our international touring activities with a small ensemble of ACO musicians, led by Richard Tognetti, travelling to the UK to give four performances.

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.

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 2021, 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	5	5	-	-
E Lewin	5	5	6	6
W D Best	4	5	4	6
J Crawford	5	5	-	-
E Flaherty	4	5	-	-
J Kench	5	5	-	-
A Lee	5	5	-	-
M Myer AO	4	5	5	6
J Fisher *	2	2	1	1
H Ridout AO	4	5	-	-
P Shorthouse	4	5	5	6
J Steiner AM	5	5	-	-
J G Taberner	5	5	-	-
S D Yeo	5	5	-	-
M Haysom **	-	-	-	-

* J Fisher joined ACO board on 4 November 2021

** M Haysom joined ACO board on 2 March 2022

Meetings of directors (continued)

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

(a) Insurance of officers

During the financial year, Australian Chamber Orchestra Pty Limited and its controlled entities paid a premium of \$15,915 (2020: \$13,872) 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.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 10.

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 thousand dollars, or in certain cases, to the nearest dollar.

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



E Lewin
Director

Sydney
27 April 2022



Auditor's Independence Declaration

As lead auditor for the audit of Australian Chamber Orchestra Pty Limited for the year ended 31 December 2021, 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.

A handwritten signature in blue ink that reads 'C Ratwatte'.

Chamilka Ratwatte
Partner
PricewaterhouseCoopers

Sydney
27 April 2022

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Australian Chamber Orchestra Pty Limited and its controlled entities

ABN 45 001 335 182

Financial report - 31 December 2021

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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 the Australian dollar (\$).

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

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 27 April 2022. 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 income
For the year ended 31 December 2021

	Notes	2021 \$	2020 \$
Revenue			
Operating revenue	3	12,371,284	10,997,730
COVID support revenue		2,361,303	3,554,226
Bequests		1,405,431	70,539
Realised net investment earnings		1,208,737	171,705
Unrealised gain on financial securities		1,355,867	65,691
		<u>18,702,622</u>	<u>14,859,891</u>
Other revenue	4(a)	146,942	104,022
Expenses			
Performance expenses		(4,541,649)	(4,227,434)
Development expenses		(179,938)	(86,475)
Marketing expenses		(818,512)	(541,627)
Overhead expenses		(7,336,444)	(6,140,322)
Finance expenses	4(b)	(14,155)	(6,397)
Surplus before income tax		<u>5,958,866</u>	<u>3,961,658</u>
Instrument fund income tax (expense)/benefit	5	(218,092)	252,886
Surplus from continuing operations		<u>5,740,774</u>	<u>4,214,544</u>
Deficit/(surplus) attributable to external unitholders	15	687,717	(797,434)
Surplus for the year		<u>6,428,491</u>	<u>3,417,110</u>
Other comprehensive income			
Other comprehensive income attributable to external unitholders	15	(687,717)	797,434
Revaluation increment/(decrement) of ACO musical instruments	11	182,566	(294,909)
Revaluation increment/(decrement) of rare, historical stringed instruments	14	726,974	(842,954)
Other comprehensive income for the year, net of tax		<u>221,823</u>	<u>(340,429)</u>
Total comprehensive income for the year		<u>6,650,314</u>	<u>3,076,681</u>

The above consolidated statement of surplus or deficit and other comprehensive 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 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	7,627,166	14,143,141
Trade and other receivables	8	463,494	476,236
Prepayments		334,212	255,000
Term deposit	10	11,000,000	6,000,000
Total current assets		19,424,872	20,874,377
Non-current assets			
Other financial assets	9	23,531,259	14,574,159
Property, plant and equipment	11	4,618,567	3,449,077
Right-of-use assets	12	47,628	654,703
Intangible assets	13	102,428	248,624
Rare, historical stringed instruments held in the instrument fund	14	9,306,996	8,580,022
Total non-current assets		37,606,878	27,506,585
Total assets		57,031,750	48,380,962
LIABILITIES			
Current liabilities			
Contract liabilities	3(a)	4,838,296	3,509,328
Lease liabilities	12	42,970	543,600
Trade and other payables	18	1,740,330	1,897,735
Grant liabilities	19	578,116	134,456
Employee benefit obligations	20	710,750	633,115
Total current liabilities		7,910,462	6,718,234
Non-current liabilities			
Lease liabilities	12	-	42,970
Financial liability to external unitholders	15	6,694,498	6,694,498
Instrument fund provision for liquidity	16	1,198,854	689,972
Instrument fund deferred tax liabilities	17	1,086,132	868,040
Employee benefit obligations	20	718,112	593,872
Total non-current liabilities		9,697,596	8,889,352
Total liabilities		17,608,058	15,607,586
Net assets		39,423,692	32,773,376
EQUITY			
Share capital	21	21	19
Asset revaluation reserve (other reserves)	22(a)	1,590,386	1,368,563
Restricted/designated reserve (other reserves)	22(a)	25,214,437	25,161,331
Accumulated surplus	22(b)	12,618,848	6,243,463
Total equity		39,423,692	32,773,376

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 2021

Notes	Share capital \$	Other reserves \$	Accumulated surplus \$	Total equity \$
Balance at 1 January 2020	18	27,014,982	2,681,694	29,696,694
Profit for the year	-	-	3,417,110	3,417,110
Other comprehensive income	-	(340,429)	-	(340,429)
Total comprehensive (loss)/income for the year	-	(340,429)	3,417,110	3,076,681
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	21	1	-	1
Transfer (from)/to reserves	22	-	(144,659)	-
		1	(144,659)	1
Balance at 31 December 2020	19	26,529,894	6,243,463	32,773,376
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

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 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,793,449	290,174
Receipts from sponsors and donors		8,752,198	8,903,895
Receipts from government grants		5,493,811	4,333,922
Net GST (paid)/received		(65,404)	38,760
Payments to suppliers and employees (inclusive of GST)		<u>(11,747,888)</u>	<u>(11,928,784)</u>
		6,226,166	1,637,967
Other income received		147,393	-
Instrument fund applications		-	49,999
Instrument fund redemptions		-	(381,486)
Interest/distribution received		<u>758,046</u>	<u>864,128</u>
Net cash inflow from operating activities		<u>7,131,605</u>	<u>2,170,608</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,046,347)	(282,065)
Payments for financial assets at fair value through profit or loss	9	(9,890,867)	(6,827,308)
Payment for other financial assets		(22,000,000)	(8,500,000)
Disposal of other financial assets		17,000,000	8,500,000
Proceeds from sale of financial assets at fair value through profit or loss	9	<u>2,289,634</u>	<u>14,496,306</u>
Net cash (outflow) inflow from investing activities		<u>(13,647,580)</u>	<u>7,386,933</u>
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		<u>-</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		14,143,141	4,585,600
Cash and cash equivalents at end of period	7	<u>7,627,166</u>	<u>14,143,141</u>

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

Contents of the notes to the consolidated financial statements

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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

The group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 January 2021:

- *AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139]*

The group also elected to adopt the following amendments early:

- *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- *AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141]*
- *AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

These are the group's first general purpose financial statements prepared in accordance with AASB 1060. As permitted by the amended AASB 1053 *Application of Tiers of Australian Accounting Standards*, the group has not provided comparative information for those disclosures that it had not previously made in the notes of its general purpose financial statements prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation and equity accounting

(i) 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.

(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 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 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.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Donations and bequests (continued)

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.

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.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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 premises and office equipment. Rental contracts are typically made for fixed periods of 1 to 5 years, but may have extension options as described below.

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).

1 Summary of significant accounting policies (continued)

(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, and bank overdrafts.

(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.

(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 and contract assets.

(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.

1 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

Financial assets (continued)

(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 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.

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 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.

1 Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

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 - 10 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.

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. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Property, plant and equipment and intangible assets costing \$5,000 (2020: \$5,000) and above, individually or forming a group of parts or components costing more than \$5,000 (2020: \$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 programmes 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.

1 Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

(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.

(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.

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(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.

(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 thousand dollars, or in certain cases, 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 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) 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 (2020: nil).

2 Critical estimates, judgements and errors

(a) 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.

3 Operating revenue

	2021 \$	2020 \$
Performance revenue	2,424,546	1,755,066
Sponsorship and donation revenue	7,257,890	6,472,749
Government revenue funding	2,688,848	2,769,915
	<u>12,371,284</u>	<u>10,997,730</u>

In addition to the above revenue, \$2,361,303 (2020: \$3,554,226) of COVID support funding was received. \$1,733,824 (2020: \$1,560,415) was received from government and \$627,479 (2020: \$1,993,811) of cancelled performance revenue donated from generous patrons.

The group derives revenue from the transfer of goods and services at a point in time.

(a) Assets and liabilities related to contracts with customers

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

	2021 \$	2020 \$
Contract liabilities - performance income in advance	(4,188,285)	(2,911,130)
Contract liabilities - sponsorships in advance	(398,512)	(244,727)
Contract liabilities - trust and foundations in advance	(210,445)	(320,703)
Contract liabilities - other unearned revenue	(41,054)	(32,768)
Total current contract liabilities	<u>(4,838,296)</u>	<u>(3,509,328)</u>

4 Other income and expense items

(a) Other revenue

	2021 \$	2020 \$
Foreign exchange (losses)/gains	(451)	(959)
Other income	147,393	104,981
	<u>146,942</u>	<u>104,022</u>

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2021
(continued)

4 Other income and expense items (continued)

(b) Finance costs

	2021	2020
	\$	\$
<i>Finance costs</i>		
Interest expense - leases	14,155	6,397
Finance costs expended	14,155	6,397

5 Instrument fund income tax expense/(benefit)

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

(a) Income tax expense

	2021	2020
	\$	\$
<i>Deferred income tax</i>		
Increase/(decrease) in deferred tax liabilities (note 17)	218,092	(252,886)
Income tax expense/(benefit)	218,092	(252,886)

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

	2021	2020
	\$	\$
Profit from continuing operations before income tax expense	5,958,866	3,961,658
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	1,787,660	1,188,497
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Relating to not-for-profit status of parent entity	(1,940,324)	(1,264,364)
Relating to provision for liquidity risk	152,664	(177,019)
Temporary differences - current year	218,092	-
Income tax expense/(benefit)	218,092	(252,886)

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2021
(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				
2021				
Cash and cash equivalents	7	-	7,627,166	7,627,166
Trade and other receivables	8	-	463,494	463,494
Term deposit	10	-	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	9	<u>23,531,259</u>	-	<u>23,531,259</u>
		<u>23,531,259</u>	-	<u>23,531,259</u>
		<u>23,531,259</u>	<u>19,090,660</u>	<u>42,621,919</u>
2020				
Current				
Cash and cash equivalents	7	-	14,143,141	14,143,141
Trade and other receivables	8	-	476,236	476,236
Term deposit	10	-	6,000,000	6,000,000
		-	<u>20,619,377</u>	<u>20,619,377</u>
Non-current				
Financial assets at fair value through profit or loss	9	14,574,159	-	14,574,159
		<u>14,574,159</u>	-	<u>14,574,159</u>
Total financial assets		<u>14,574,159</u>	<u>20,619,377</u>	<u>35,193,536</u>
Liabilities at amortised cost				
	Notes		\$	Total \$
Financial liabilities				
2021				
Trade and other payables **	18	<u>(1,740,330)</u>		<u>(1,740,330)</u>
Total financial liabilities		<u>(1,740,330)</u>		<u>(1,740,330)</u>
2020				
Trade and other payables **	18	<u>(1,897,735)</u>		<u>(1,897,735)</u>
Total financial liabilities		<u>(1,897,735)</u>		<u>(1,897,735)</u>

** Excluding non-financial liabilities

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2021
(continued)

7 Cash and cash equivalents

	2021	2020
	\$	\$
Current assets		
Cash at bank and on hand	542,632	878,401
Short term deposits	7,084,534	13,264,740
	7,627,166	14,143,141

8 Trade and other receivables

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Trade receivables	142,303	-	142,303	43,066	-	43,066
Other receivables	102,331	-	102,331	291,048	-	291,048
Franking credit receivables	59,108	-	59,108	53,088	-	53,088
Interest receivables	10,414	-	10,414	5,100	-	5,100
GST receivables	149,338	-	149,338	83,934	-	83,934
	463,494	-	463,494	476,236	-	476,236

9 Other financial assets

	2021	2020
	\$	\$
Non-current assets		
Financial assets at fair value through profit or loss	23,531,259	14,574,159

(a) Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	2021	2020
	\$	\$
Non-current assets		
Long-term diversified portfolios	23,531,259	14,574,159
	23,531,259	14,574,159

Reconciliation of financial securities

Opening balance	14,574,159	22,177,466
Additions	9,890,867	6,827,308
Disposals	(2,289,634)	(14,496,306)
Revaluation increment through surplus (FVPL)	1,355,867	65,691
	23,531,259	14,574,159

9 Other financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

(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:

	2021	2020
	\$	\$
Net gain/(loss) on sale of financial assets at fair value through profit or loss	404,627	(543,126)
Unrealised gain on financial securities	1,355,867	65,691
Fair value gains (losses) on equity investments at FVPL recognised in other gains/(losses)	1,760,494	(477,435)

(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.

10 Term deposit

	2021	2020
	\$	\$
Current assets		
Term deposit	11,000,000	6,000,000

The term deposits has fixed interest rates between 0.15% to 0.48% (2020: between 0.46% to 0.53%). These terms deposits all mature by 27 April 2022 (2020: 26 July 2021) or earlier.

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
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11 Property, plant and equipment

	Plant and equipment \$	Motor vehicles \$	Leasehold improvements \$	Musical instruments \$	Assets under construction \$	Total \$
At 1 January 2021						
Cost	1,675,751	22,718	597,126	3,150,114	247,529	5,693,238
Accumulated depreciation	(1,635,518)	(11,517)	(597,126)	-	-	(2,244,161)
Net book amount	40,233	11,201	-	3,150,114	247,529	3,449,077
Year ended 31 December 2021						
Opening net book amount	40,233	11,201	-	3,150,114	247,529	3,449,077
Revaluation	-	-	-	182,566	-	182,566
Additions	43,478	-	-	-	1,002,869	1,046,347
Disposals	-	-	-	-	-	-
Depreciation charge	(53,743)	(5,680)	-	-	-	(59,423)
Closing net book amount	29,968	5,521	-	3,332,680	1,250,398	4,618,567
At 31 December 2021						
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

(a) Assets under construction

Asset under construction represents design and consultancy fees, leasehold fit-out costs and plant and equipment acquired for the new premises as part of the revitalised Walsh Bay Arts Precinct Project at Pier 2/3. Total spending in the 12 months to 31 December 2021 is \$1,002,536 (2020: \$ 247,529).

(b) Valuation of musical instruments

Musical Instruments were formally revalued in the year ended 31 December 2019 (previously in 2016) by reputable independent valuers in USD, GBP and AUD. The directors are of the opinion in 2021 that the carrying value of the musical instruments reflects the most recent formal valuation in 2019 in foreign currency and exchange rate conversions as at 31 December 2021. Any revaluation movement in 2021 is due solely to exchange rate movements and is recognised in other comprehensive income.

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
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(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:

	2021	2020
	\$	\$
Right-of-use assets		
Premises lease	47,628	619,166
Plant & equipment	-	35,537
	<u>47,628</u>	<u>654,703</u>
Lease liabilities		
Current	42,970	543,600
Non-current	-	42,970
	<u>42,970</u>	<u>586,570</u>

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

Within one year	42,970	543,600
Later than one year but not later than five years	-	42,970
	<u>42,970</u>	<u>586,570</u>

Additions to the right-of-use assets during the 2021 financial year were \$nil (2020: \$714,422).

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

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

	2021	2020
	\$	\$
Depreciation charge of right-of-use assets		
Premises lease	571,538	95,256
Plant & equipment	35,537	85,288
	<u>607,075</u>	<u>180,544</u>

The total cash outflow for leases in 2021 was \$565,181 (2020: \$181,560).

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Notes to the consolidated financial statements
31 December 2021
(continued)

13 Intangible assets

	Software \$	Website \$	Total \$
At 1 January 2021			
Cost	556,316	334,407	890,723
Accumulated amortisation and impairment	(474,895)	(167,204)	(642,099)
Net book amount	<u>81,421</u>	<u>167,203</u>	<u>248,624</u>
Year ended 31 December 2021			
Opening net book amount	81,421	167,203	248,624
Amortisation charge	(34,727)	(111,469)	(146,196)
Closing net book amount	<u>46,694</u>	<u>55,734</u>	<u>102,428</u>
At 31 December 2021			
Cost	556,316	334,407	890,723
Accumulated amortisation and impairment	(509,622)	(278,673)	(788,295)
Net book amount	<u>46,694</u>	<u>55,734</u>	<u>102,428</u>

14 Rare, historical stringed instruments held in the instrument fund

	2021 \$	2020 \$
Non-current assets - at fair value		
Opening balance at 1 January	8,580,022	9,422,976
Net gain/(loss) on revaluation through other comprehensive income	726,974	(842,954)
Closing balance at 31 December	<u>9,306,996</u>	<u>8,580,022</u>

Rare, historical stringed instruments are valued periodically by reputable valuers and the last valuation approved by the Instrument Fund Board was on 26 May 2021 (2020: formal valuation approved 27 May 2020), in advance of Australian Chamber Orchestra Instrument Fund 10-year anniversary wind-up meeting in July 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 2021, 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*

	2021 \$	2020 \$
Revaluation increment/(decrement)	726,974	(842,954)

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 2021
(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 2021 (2020: 27 May 2020) by the Instrument Fund Board, with the underlying valuations in US dollars increasing favourably by USD144,824 in 2021 (2020: \$nil). An effective AUD/USD exchange rate as at 31 December 2021 of \$0.7256 (2020: \$0.7702) is applied to convert to AUD valuation reported here.

15 Financial liability to external unitholders

	2021			2020		
	Current \$	Non- current \$	Total \$	Current \$	Non- current \$	Total \$
Liability to external unitholders	-	6,694,498	6,694,498	-	6,694,498	6,694,498
	-	6,694,498	6,694,498	-	6,694,498	6,694,498

	2021 \$	2020 \$
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Movement in liability to external unitholders in the Australian Chamber Orchestra Instrument Fund ("the Fund")

Opening balance	6,694,498	7,025,985
Application	-	49,999
Current year redemptions	-	(381,486)
	6,694,498	6,694,498

Current year total comprehensive income attributable to external unitholders:

(Deficit)/surplus	(687,717)	797,434
Other comprehensive income	687,717	(797,434)
	-	-

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 in consideration of continuing 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.

15 Financial liability to external unitholders (continued)

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 provide 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.

If the Trustee determines that the Fund's cash levels materially exceed its forecast requirements, it may offer a pro-rata redemption opportunity or make a pro-rata capital distribution to unitholders. There were no distributions paid or payable during the year or at 31 December 2021.

16 Instrument fund provision for liquidity

	2021		2020		
	Current	Non-current	Total	Current	Non-current
	\$	\$	\$	\$	\$
Provision for liquidity risk	-	1,198,854	1,198,854	-	689,972
					689,972

(a) Information about individual provisions

(i) 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.

(b) Movements in provisions

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

2021	Provision for liquidity risk
	\$
Carrying amount at start of year	689,972
- additional provisions recognised	508,882
Carrying amount at end of period	<u>1,198,854</u>

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2021
(continued)

17 Instrument fund deferred tax liabilities

	2021	2020
	\$	\$
The balance comprises temporary differences attributable to:		
Investments in rare, historical stringed instruments	1,086,132	868,040
Total deferred tax liabilities	1,086,132	868,040
	2021	2020
	\$	\$
Movements		
At 1 January	868,040	1,120,926
Charged/(credited) - profit or loss	218,092	(252,886)
At 31 December	1,086,132	868,040

18 Trade and other payables

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Trade payables	228,495	-	228,495	106,897	-	106,897
Accrued expenses	306,882	-	306,882	467,180	-	467,180
Accrued payroll and other statutory liabilities	410,971	-	410,971	464,768	-	464,768
Ticket holder on-account credits from cancelled performances	793,982	-	793,982	858,890	-	858,890
	1,740,330	-	1,740,330	1,897,735	-	1,897,735

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

19 Grant liabilities

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Department of Foreign Affairs	175,000	-	175,000	75,000	-	75,000
Playing Australia	283,713	-	283,713	59,456	-	59,456
Other federal government grants	119,403	-	119,403	-	-	-
	578,116	-	578,116	134,456	-	134,456

20 Employee benefit obligations

	Current	2021 Non-current	Total	Current	2020 Non-current	Total
	\$	\$	\$	\$	\$	\$
Annual leave	496,226	-	496,226	429,159	-	429,159
Long service leave	214,524	718,112	932,636	203,956	593,872	797,828
Total employee benefit obligations	710,750	718,112	1,428,862	633,115	593,872	1,226,987

(a) Leave obligations

The 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 \$520,824 in the current period (2020: \$540,688) in relation to defined contribution plans which are included in employee benefit expenses in the consolidated statement of surplus or deficit and other comprehensive income.

21 Contributed equity

(a) Share capital

	2021 Authorised shares	2020 Authorised shares	2021 Fully paid \$	2020 Fully paid \$
Ordinary shares of \$1 each	100	100	21	19

(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.

22 Other reserves and retained earnings

(a) Other reserves

	2021 \$	2020 \$
Restricted/designated reserve	25,214,437	25,161,331
Asset revaluations reserve		
ACO musical instruments	1,081,752	899,186
Instrument fund musical instruments	2,432,192	1,705,218
Surplus to external unitholders	(1,923,558)	(1,235,841)
	<u>1,590,386</u>	<u>1,368,563</u>
	<u>26,804,823</u>	<u>26,529,894</u>

22 Other reserves and retained earnings (continued)

(a) Other reserves (continued)

	2021	2020
	\$	\$
Movements:		
<i>Asset revaluation reserve</i>		
Opening balance	1,368,563	(1,235,841)
Revaluation	221,823	2,604,404
Balance 31 December	1,590,386	1,368,563
 <i>Restricted/designated reserve</i>		
Opening balance	25,161,331	25,305,990
Other transfers	53,106	(144,659)
Balance 31 December	25,214,437	25,161,331

(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 will commence when the ACO officially take possession of these premises in 2022.

In addition, the ACO commenced in 2021 and will continue in 2022 to incur substantial additional transitional 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 2021, that the remaining one-off capital payments and transitional costs to be incurred in futures years is likely to be circa \$21 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.

- 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.

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22 Other reserves and retained earnings (continued)

(b) Accumulated surplus

Movements in accumulated surplus were as follows:

	2021	2020
	\$	\$
Balance 1 January	6,243,463	2,681,694
Net surplus for the year	6,428,491	3,417,110
Transfer (to)/from designated /restricted reserves	(53,106)	144,659
Balance 31 December	<u>12,618,848</u>	<u>6,243,463</u>

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.

(a) PwC

(i) Audit and other assurance services

	2021	2020
	\$	\$
Audit and review of financial statements	35,600	-
Compilation of financial statements	6,750	-
Total remuneration for audit and other assurance services	<u>42,350</u>	<u>-</u>

24 Contingencies

The group had no contingent liabilities at 31 December 2021 (2020: nil).

25 Commitments

Operating leases – office equipment

The group leases office equipment under non-cancellable operating 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 2022 and March 2026.

Commitments are GST inclusive where relevant.

There are no contingent rents payable, renewal or purchase options nor escalation clauses.

	2021	2020
	\$	\$
Total future minimum lease payments under non-cancellable operating lease payable:		
Within one year	11,891	30,528
Later than one year but not later than five years	21,600	2,511
	<u>33,491</u>	<u>33,039</u>

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 (2020: 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 \$139,284 (2020: \$129,085) on behalf of Australian Chamber Orchestra Instrument Fund Pty Ltd during the year ended 31 December 2021. These costs are not subject to reimbursement by the Australian Chamber Orchestra Instrument Fund Pty Ltd.

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

2021	Units	Units	Units	Units	Fair value	Interest	Distributions
Unitholder	opening	acquired	disposed	closing	\$1.45/unit	held	paid
	Number	Number	Number	Number			
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%	-

2020	Units	Units	Units	Units	Fair value	Interest	Distributions
Unitholder	opening	acquired	disposed	closing	\$1.45/unit	held	paid
	Number	Number	Number	Number			
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%	-

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Notes to the consolidated financial statements
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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	
		2021 %	2020 %
Australian Chamber Orchestra Instrument Fund Pty Ltd	Australia	-	-
Australian Chamber Orchestra Instrument Fund	Australia	5.4	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 2021, the Trustee entity held cash of \$63,134 (2020: \$14), in trust for applicants for units in the Australian Chamber Orchestra Instrument Fund.

As at 31 December 2021, Australian Chamber Orchestra Instrument Fund held cash of \$40,694 (2020: \$40,754). As at 31 December 2021, the entity had issued 4,879,989 units (2020: 4,879,989 units) and the Australian Chamber Orchestra Pty Ltd holds 263,094 of these units (2020: 263,094 units).

The Board undertook a valuation of the current units and agreed at the 26 May 2021 Board meeting to maintain the value of the unit price at \$1.45 (2020: \$1.45 per unit was confirmed at formal valuation on 27 May 2020). The value of \$1.45 per unit, continues to be an appropriate unit value as at 31 December 2021.

28 COVID impact

The COVID outbreak was declared a pandemic by the World Health Organisation in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. Following the COVID outbreak, the group has continued its business operations. The situation is unprecedented and management continues to consider the potential implications of COVID, which may include disruptions to the supply chain, availability of employees and changes in customer demand. However, as at the date these financial statements were authorised, the group was not aware of any material adverse effects on the financial statements or future results as a result of COVID.

29 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.

30 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.

	2021	2020
	\$	\$
Details of aggregate gross fundraising income and expenditure:		
Gross proceeds from fundraising appeals	8,502,184	7,505,046
Less: costs of fundraising	<u>(398,285)</u>	<u>(112,371)</u>
Net surplus from fundraising appeals	<u>8,103,899</u>	<u>7,392,675</u>
Application of funds to fund operations - Opex	(5,749,456)	(6,398,746)
Application of funds to fund operations - Capex	<u>(1,002,869)</u>	<u>(253,529)</u>
Net expenditure of operations	<u>(6,752,325)</u>	<u>(6,652,275)</u>
Surplus for the year	<u>1,351,574</u>	<u>740,400</u>
Balance at the beginning of year	8,667,033	7,926,633
Surplus for the year	<u>1,351,574</u>	<u>740,400</u>
Balance at the end of year	<u>10,018,607</u>	<u>8,667,033</u>

Application of funds:

Of the net surplus from fundraising appeals (net of direct costs in 2021) operating expenditures of \$5,749,456 (2020: \$6,398,746) and capital expenditure of \$1,002,869 (2020: \$253,529) in 2021 was applied to the company's total expenses, including fixed asset additions, in line with the ACO's charitable purpose.

The balance of accumulated funds at the end of the 2021 financial year of \$10,018,607 (2020: \$8,667,033) 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 2021 or 2020.

31 Events occurring after the reporting period

On 11 March 2022, the ACO signed the lease documentation for our new premises at Pier 2/3 with the NSW Government. From this date substantial contractual, capital payments owing to the NSW Government for these new premises commence. 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 relocation costs for example. The ACO will draw down on its restricted reserves to meet these obligations in 2022 and in subsequent financial years.

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

No other 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 2021
(continued)

32 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:

	2021	2020
	\$	\$
Balance sheet		
Current assets	20,571,374	20,833,605
Non-current assets	27,430,970	19,308,049
Total assets	48,002,344	40,141,654
Current liabilities	7,847,326	6,718,220
Non-current liabilities	718,112	636,843
Total liabilities	8,565,438	7,355,063
Net assets	39,436,906	32,786,591
Issued capital	14	13
Reserves	26,321,189	26,085,518
Retained earnings	13,115,703	6,701,060
	39,436,906	32,786,591
Surplus for the year	6,467,748	3,371,590
Other comprehensive income attributable to the parent entity	182,566	(294,909)
Total comprehensive income for the year	6,650,314	3,076,681

(b) Guarantees entered into by the parent entity

As at 31 December 2021, the parent entity had bank guarantees of \$254,000 which will expired on 4 February 2022. (2020: nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2021 or 31 December 2020. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity contractual commitment as at 31 December 2021 is \$329,936 (2020: \$nil).

(e) Reserves

The parent entity has restricted /designated reserves of \$25,214,437 as at 31 December 2021 (2020: \$25,161,331).

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 for this project will commence when the ACO officially take possession of these premises in 2022. Overall the ACO estimates at the end 31 December 2021, that the remaining one-off capital payments and other transitional costs to be incurred in futures years is likely to be circa \$21 million.

Australian Chamber Orchestra Pty Limited and its controlled entities
Directors' declaration
31 December 2021

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 2021, the consolidated statement of surplus or deficit and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes are in accordance with the *Australia Charities and Non-for-profits Commission Act 2012* and:
 - (i) complying with Accounting Standards - General Purpose Financial Statements - Simplified Disclosures, 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 2021 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 2021; and
- (b) The consolidated statement of financial position as at 31 December 2021 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.



E Lewin
Director

Sydney
27 April 2022



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 2021 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 2021
- 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 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 2021, 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.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'C Ratwatte'.

Chamilka Ratwatte
Partner

Sydney
27 April 2022