

CHAIN REACTION FOUNDATION LTD
(A company limited by guarantee)

ANNUAL REPORT



For year ended 30 June 2010

ABN 44 100 223 649

DIRECTORS' REPORT

The Directors present their report on the company for the year ended 30 June 2010.

Directors

The names of the Directors in office during the financial period and at the date of the report were:

Margaret Bell AM (Chairman)
Benjamin Chow AO
Dorothy Harding
Rev. John Henderson (resigned June 2010)
Dr Sev Ozdowski OAM
Abd-Elmasih Malak AM
Ali Roude AM

Directors Meetings

The number of meetings of Directors held during the period and the number of meetings attended by each Director were as follows:

Number of meetings held: 3

	Number of meetings attended	Meetings held while in office
Margaret Bell AM	3	3
Benjamin Chow AO	2	3
Dorothy Harding	3	3
Rev John Henderson	1	3
Dr Sev Ozdowski OAM	2	3
Abd-Elmasih Malak AM	0 (Sick leave)	3
Ali Roude AM	2	3

Company Secretary

The company secretary is Joan Modder, Barrister-at-Law, Chain Reaction Specialist Consultant.

Principal Activity

Chain Reaction Foundation Ltd is incorporated and domiciled in New South Wales, Australia. The registered office is at 7/112 Ben Boyd Road, Neutral Bay, NSW, 2089.

The principal activities of the company during the financial period were to work for the alleviation of poverty in local communities, to identify and support social inclusion and local citizen engagement in building social capital, and to create strong links between community, government and business leaders in supporting those people who are in human and financial need and or marginalised by practises of exclusion.

The entity operates through the services of its Chief Executive Officer, Administrator, Project Manager and a team of pro bono Specialist Consultants (26) and Partnership Organisations (36).

Operating Results

The net surplus for the financial year ending June 30 2010 was \$8,023 (2009 – deficit \$16,141). There is no liability for income tax because the company is exempt from income tax.

DIRECTORS' REPORT

Review of Operations

Our mission is to partner with business, government and community organisations to build a stronger, more participatory Australia. The main activities through which Chain Reaction achieved its mission 2009 – 2010 were:

- Development and operation of Mt Druitt Learning Ground
- Joint seminars with PRIA, Participatory Research Institute of Asia
- Consultations with Delancey Street Project San Francisco and L.A USA
- Conduct Enablers Programme Western Sydney
- Development and conduct Enablers *Train-the-Trainer* Project for use Australia wide
- Chain Reaction Breakfast Café Sydney and Melbourne
- Membership Government National Advisory Board on Volunteering preparing for the Year of the Volunteer + 10
- Partnership in presenting 'social inclusion' seminars with United Nations Australia Association
- Consultations with Federal and State governments, departmental senior staff and Trusts and Foundations, and corporate and community leaders as follows:

Federal Government

Ministers:

Hon. Julia Gillard, Prime Minister

Minister Nicola Roxon, Minister for Health and Aging

Minister Chris Bowen, Minister for Immigration and Citizenship

Minister Tony Burke, Minister for Sustainable Population, Communities, Environment and Water

Hon. Ursula Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector

Shadow Ministers:

Hon. Malcolm Turnbull, Shadow Minister for Communication

Hon Julia Bishop, Deputy Leader of the Opposition

Public Servants:

Managers and Senior staff FAHCSIA and DEEWR

Productivity Commissioner

Department of Corrective Services NSW

Department of Justice Health NSW

Trusts/Foundations

ANZ Trustees, Philanthropy Australia, Sir Ian Potter Foundation, Sidney Myer Foundation, Sisters of Charity Foundation, Uniting Care NSW/ACT, Mercy Foundation

Major Charities, Business and NGO's

Benevolent Society, Cancer Council NSW, Centrelink, Centre for Volunteering NSW, IBM Australia, NSW Family Services Inc., ourcommunity.com, Villanis Graphic Design & Communication, Voice for the Voiceless, Volunteering Australia, National Council of Churches, Islamic Council of NSW, ACTU, UNAA, Diversity at Work, Anglicare, Australian Diversity Council, NSW Commission of Jurists, NSW Human Rights Council of Young Lawyers, National Disabilities Council, ACWA, ACON, UWS, Centre for Social Impact NSW, Our Communities Victoria, ACOSS, Social Inclusion Board, Baptcare, Foundation for Young Australians, Lighthouse Foundation, Volunteering Victoria, Bureau of Meteorology, Australian Red Cross, Global Peace Initiative Parliament of World Religions, Blake Dawson, JAPR Australia, 3ZZZ, Alannah and Madeline Foundation, KPMG.

DIRECTORS' REPORT

Local Community – Mt Druiitt NSW

ACWA, ICAT, Blacktown City Council, Departments of Community Services, Community Health, Education, Housing, Police, Family Violence Unit, Graceades Community Cottage, Holy Family Centre, Marist Brothers Youth Service Blacktown, Mt Druiitt Combined Community Ministry, Mt Druiitt Ethnic Community Agency, Probation and Parole, Reconciliation Committee, University of Western Sydney, Washhouse, Wundunarrkoo Aboriginal Centre, Mt Druiitt TAFE, Jesuit Social Services, KAYS, Junaya, Garagallong Mums and Bubs Group. All local schools (39) Mt Druiitt area.

Workshops/Seminars were conducted for:

- Mt Druiitt Learning Ground
- Volunteering Australia
- Cancer Council NSW
- Delancey Street Project San Francisco
- Delancey Street Project L.A
- UNAA
- Partnership presentations with Participatory Research Institute of Asia (PRIA) in Sydney, Melbourne and Canberra

Mt Druiitt Learning Ground Project

Chain Reaction's major work for 2009-10 has been the further development of Mt Druiitt Learning Ground. The project is designed as a creative community development program offered to the most culturally diverse and disadvantaged families in the eleven suburbs of Mt Druiitt a population of 60.000. It is designed as a "safe haven" in which families can acquire self-confidence and personal living and literacy and numeracy skills such that they will be enabled to participate in mainstream living thus entering or re-entering school or other institutions of learning and or working in the community in voluntary or paid work. Chain Reaction staff together with the Project Manager prepared curriculum and course material and took care of recruitment details. Learning Ground continued to operate throughout 2009-10 until April this year when were no longer in a financial position to continue the services of Aboriginal Community Leader Winsome Matthews. The work has been continued with increased volunteer support drawn both from within the local community and senior students from universities of Western Sydney and NSW.

At the time of reporting Learning Ground is serving more than 50 families at a time consisting of at least one child and one adult each and has a waiting list. Fifteen school terms have been completed resulting in most of the children and young people participants returning to school on a four day a week basis, attending Learning Ground in an on-going manner one day per week. Adult family members have continued on a weekly basis and many families have achieved full time or part time paid work, others have gained volunteer positions all of which entail on-going community development training, thirty-nine school refuses or young people experiencing school suspensions have returned to school without further offences.

Learning Ground is unique in that it offers a community education program for adults youth and children alike, pays particular attention to traditional and contemporary Aboriginal thinking and embraces cultural faith and ethnic diversity and learning through the celebration of difference.

Progression from pilot to sustainable program is now the challenge and every effort is being made to establish on-going funding and to write the program in detail which will prepare it for replication in other communities across the country as desirable.

DIRECTORS' REPORT

Collaboration with PRIA

We were delighted to have Dr Rajesh Tandon President of the Participatory Research Institute of Asia with us in September/October 2009. Joint Seminars and Consultations between PRIA and Chain Reaction Foundation were conducted for 1400 participants in three States Sydney, ACT and Victoria offering seminars and workshops on 'Social Inclusion'. Participants were leading thinkers drawn from government, NGO's, business and academia.

PRIA is recognised as a most significant Institute in the world for its role in participatory research and leadership in valuing and creation of an engaged civil society. Chain Reaction is indeed fortunate to partner with such an esteemed organisation. We now strive to identify support for a joint research project conducted on 'creating engaged communities' in Australia and other countries in South East Asia.

Consultations with Delancey Street Project U.S.A

Board Director Dorothy Harding, Learning Ground Project Manager Winsome Matthews and Chain Reaction CEO Margaret Bell accepted the invitation of Delancey Street Project to visit their organisations in San Francisco and LA. The project is 'home' to 400 participants at each location, all are drawn from seriously disadvantaged communities in the US. All participants are admitted to Delancey Street as an alternative to imprisonment and the project is entirely self-sustaining. Operating now for 25 years an excellent track record has been established which we believed might be possible for replication in Australia. Our interest was two-fold:

- Would the project be able to be considered as a viable alternative to a much overloaded prison system in NSW.
- Could the self-sustaining methods be applied to help us fund Learning Ground and other projects in Australia.

Impressions were mixed. Preliminary enquiries with State government on return have resulted in our recommendation to approach the discussion in late 2011 in NSW. As a funding and rehabilitation model we saw great potential. However the project was unsuitable as a funding model for Learning Ground because of the voluntary nature of participants at Learning Ground.

Learning Ground model was of interest to Delancey Street as they have not explored the cultural relevance of their work with participants to the extent that we have, this was a disappointing aspect of the study for us but of great interest to Delancey Street. We continue to be in touch.

Enablers Programme and Development of *Train-the-Trainer* Manual

We have continued to offer the Enablers Leadership Programme to community leaders from Western Sydney. Completing our sixth year of offering the programme to around 200 participants we are now most appreciative to the Ian Potter Foundation for sponsoring the development and publication of a Train-the-Trainer manual so local community organisations will be in the position to offer the course to participants in their own organisations. The project is suitable for replication across Australia. Advice on how to market and manage distribution of this resource will now be sought.

Chain Reaction Breakfast Café

KPMG NSW and VIC have made premises available by a senior partner of the company, Paul Reid, to host the bi-monthly Breakfast Café program in Melbourne and Sydney.

DIRECTORS' REPORT

Around 60 people – business, government and community leaders are regular breakfast attendees. The concept and practise of social inclusion from different perspectives is examined.

Attendees are invited to come to breakfast on the understanding that they in turn will host a breakfast inviting others to do the same, thus creating a 'chain reaction' of breakfasts convened around the selected topics.

Summary of discussions are found on Chain Reaction website home page – Breakfast Café www.chainreaction.org.au

National Advisory Group on Volunteering

Parliamentary Secretary Hon. Ursula Stephens appointed a National Advisory Group to compile a National Compact on Volunteering in preparation for the International Year of the Volunteer + 10 which takes place world-wide next year. Chain Reaction was very pleased to be appointed to the group and we have spent a fruitful year putting a compact together that if implemented will go a long way towards recognising the socially inclusive nature of volunteering, and to encouraging a much more diverse group of Australia's population to volunteer.

A commemorative coin is minted and will be released on 5th December, International Volunteer Day this year. The coin will carry the V logo Chain Reaction Foundation CEO gave to Volunteering NSW in 1985 and the International Association for Volunteer Effort in 1987. The V has become the international symbol for volunteering world-wide.

Partnerships on Social Inclusion

We have been pleased to present a series of seminars in partnership with UNAA United Nations Australia Association throughout the year. Attended by community and government members of UNAA the work has gone some distance to enable Chain Reaction to present a viable framework through which to measure social cohesion and citizen engagement in a community.

Fund Development

Chain Reaction has appreciated the financial support of the following organisations during 2009-2010 reporting period:

- DEEWR
- Perpetual Trustees
- ANZ Trustees for the A N Carmichael Memorial Foundation
- Sisters of Charity Foundation
- Uniting Care/Uniting Church NSW/ACT
- Ian Potter Foundation
- Danks Trust
- Sherman Foundation
- Benevolent Society
- Cancer Council NSW

DIRECTORS' REPORT

- Paul Reid
- Bruce Bonyhady

Applications were sought for Project Funding with:

State Government:

NSW Department of Aboriginal Affairs, NSW Department of Community Services, NSW Department of Housing.

Commonwealth Government:

Department of Families, Housing, Community Services and Indigenous Affairs, DEEWR – Department of Employment Education & Work Relations.

Foundations/Trusts:

ANZ Trustees, Pratt Foundation, Sidney Myer Foundation, Telstra Foundation, Sisters of Charity Foundation, NRMA Foundation, Daniel Petre Foundation, Sir Ian Potter Foundation, Peter Brocks Foundation, St George Foundation, Coca-Cola Foundation, Scalon Foundation, UnitingCare/Uniting Church, Scully Foundation, Marian Flack Trust, Mercy Foundation, Blacktown City Council, Danks Trust.

Pro-Bono Contributions

Chain Reaction staff have worked tirelessly throughout the year and we are particularly appreciative of the work of Thomas Barlow, Tony Barnden, Peggy Cameron, John Dacey, Amy Doyle, Dorothy Harding, Alana Jacquet, Veronica Lucas, Winsome Matthews, Michael Ohlsen, Wayne Penell, Anne Ridgeway, Pat Smith, Paul Sorrenson, Dale Watson, Dr Robert Woog and Cathy Williams.

We are also pleased to acknowledge the pro-bono contribution of the Foundation's Directors, Specialist Consultants and Partnership Organisations, as well as the Steering Committee formed to advise on the development of Mt Druitt Learning Ground.

Dividends

The company is prohibited from paying dividends by its Constitution.

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the company occurred during or after the financial period that would render any amount stated in the accounts misleading.

After balance date events

No matter or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of these operations, or the state of affairs of the company in the years ahead.

Future Developments

There are no extraordinary developments foreseen for the coming financial year.

DIRECTORS' REPORT

Environmental Issues

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Indemnification and insurance of officers

Indemnification

The company has agreed to indemnify the current and former directors of the company against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the company, except where the liability arises out of conduct involving lack of good faith.

Insurance premiums

The company has not taken out any cover nor paid any insurance premiums in respect of directors' and officers' liability insurance.

Lead auditor's independence declaration

The Lead Auditor's Independence Declaration forms a part of this Directors' report and is included as an appendix.

Summary

The Foundation's eighth year of operation has been challenging with high demands for service and with exceedingly limited resources to be able to meet the demand.

Consultations, Workshops and Forums have clearly filled a community need, and through this means a satisfactory outreach to decision makers in business, government and community has taken place.

The Breakfast Café in Melbourne and Sydney has taken a strong place in Australia as a valuable forum for examination of social issues.

The decision to "stay with" the local community of Mt Druitt, 2770 postcode has been rewarding. Indigenous and non-indigenous leaders from the area have contributed substantially to both the Enablers Project as well as to the development of Learning Ground. Chain Reaction's goal of making a valuable contribution to the capacity building of community leaders and their organisations has been realised. Research project interim report on development of Learning Ground undertaken by University of Western Sydney is available.

The on-going work of Dr Rajesh Tandon including Australian participants in PRIA's internship has greatly enhanced the work of Chain Reaction and civil society leaders of Australia.

Chain Reaction continues to strive to encourage Australia's citizens to become engaged in the communities of which they are a part. Exclusion is increasingly difficult to break as we witness a number of divides operating strenuously in community be they socio-economic, religious, ethnic, age, gender or city/rural and the like.

We are pleased to have made a significant contribution to the development of the new compact on volunteering as a way forward in breaking the exclusion cycle.

DIRECTORS' REPORT

Chain Reaction strives to encourage living in harmony which requires interaction rather than living in isolation brought about by the excessive pursuit of individualism leading to fear and withdrawal from community. Social cohesion is paramount to building healthy communities it is both our task and our dream.

Signed in accordance with a resolution of the Board of Directors

Director

Sydney

17 December 2010



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To the Directors of Chain Reaction Foundation Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010, there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

P M Reid

Partner

Sydney

17 December 2010

**CHAIN REACTION FOUNDATION LTD
(a company limited by guarantee)**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR TO 30 JUNE 2010**

	2010	2009
	\$	\$
REVENUE		
General		
Donations and private sector grants	192,062	108,140
Bank Interest	372	2,055
DEEWR grant for Mt Druitt Learning Ground	15,909	101,010
Seminars/training	3,379	-
Sundry income (incl book sales & fees)	<u>-</u>	<u>-</u>
Total revenue	<u>211,722</u>	<u>211,205</u>
EXPENDITURE		
Chain Reaction Foundation running expenses	100,865	97,076
Mt Druitt Learning Ground expenses	<u>102,834</u>	<u>130,270</u>
Total expenditure	<u>203,699</u>	<u>227,346</u>
(Deficit)/surplus for the year	8,023	(16,141)
Income tax expense	<u>-</u>	<u>-</u>
(Deficit)/surplus for the year after income tax	8,023	(16,141)
Other comprehensive income	<u>-</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE YEAR	8,023	(16,141)
	=====	=====

The accompanying notes form part of these accounts

**CHAIN REACTION FOUNDATION LTD
(a company limited by guarantee)**

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	2010	2009
CURRENT ASSETS	\$	\$
Cash	48,705	13,413
Other (including grant funding due)	<u>2,000</u>	<u>32,828</u>
TOTAL CURRENT ASSETS	<u>50,705</u>	<u>46,241</u>
 NON-CURRENT ASSETS	 -	 -
TOTAL NON-CURRENT ASSETS	-	-
 TOTAL ASSETS	 <u>50,705</u>	 <u>46,241</u>
 CURRENT LIABILITIES		
Other Creditors	14,640	18,199
TOTAL CURRENT LIABILITIES	<u>14,640</u>	<u>18,199</u>
 NON-CURRENT LIABILITIES	 -	 -
TOTAL NON-CURRENT LIABILITIES	-	-
 TOTAL LIABILITIES	 <u>14,640</u>	 <u>18,199</u>
 NET ASSETS	 <u>36,065</u>	 <u>28,042</u>
	=====	=====
EQUITY		
Accumulated profits		
Reserves		
TOTAL EQUITY	<u>36,065</u>	<u>28,042</u>
	=====	=====

The accompanying notes form part of these accounts

**CHAIN REACTION FOUNDATION LTD
(a company limited by guarantee)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR TO 30 JUNE 2010**

	2010	2009
	\$	\$
Total changes in equity		
(Deficit)/Surplus for the year	8,023	(16,141)
Funds available for future use at the beginning of the financial year	<u>28,042</u>	<u>44,183</u>
Funds available for future use at the end of the financial year	<u>36,065</u>	<u>28,042</u>
Comprised of		
Accumulated funds		
Balance at the beginning of the financial year	28,042	44,183
(Deficit)/surplus for the year	<u>8,023</u>	<u>(16,141)</u>
Balance at the end of the financial year	<u>36,065</u>	<u>28,042</u>
Total	<u>36,065</u>	<u>28,042</u>

The accompanying notes form part of these accounts

**CHAIN REACTION FOUNDATION LTD
(a company limited by guarantee)**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

CASH FLOWS FROM OPERATING ACTIVITIES	2010	2009
	\$	\$
Cash Receipts in the course of operations	220,571	218,268
Cash Payments in the course of operations	(185,555)	(258,423)
Interest Received	276	2,055
	<hr/>	<hr/>
Net Cash provided by/(used in) Operating Activities	<u>35,292</u>	<u>(38,100)</u>
Net increase (decrease) in cash held	35,292	(38,100)
Cash at the beginning of the financial year	13,413	51,513
	<hr/>	<hr/>
Cash at the end of the financial year	<u>48,705</u>	<u>13,413</u>
	=====	=====

The accompanying notes form part of these accounts

**CHAIN REACTION FOUNDATION LTD
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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010

1. Statement of significant accounting policies

Basis of Preparation and statement of compliance

In the opinion of the Directors, the company is not a reporting entity as defined in Statement of Accounting Concepts 1: "Definition of the Reporting Entity". The financial statements of company have been drawn up as a special purpose financial report for use by the Directors and members and to fulfil the Directors' duties under the Corporations Act 2001 to prepare financial statements.

The financial statements have been prepared on the accruals basis of accounting using the historical cost convention and a going concern assumption. Except where stated, they do not take into account changing money values. Except where noted, the accounting policies have been consistently applied.

The financial statements have been prepared in accordance with all Australian Accounting Standards (including the Australian Accounting Interpretations) and other mandatory financial reporting requirements in Australia with the following exceptions where some or all of the disclosure provisions have not been followed:

- AASB 7 Financial Instruments: Disclosure
- AASB 101 Presentation of Financial Statements
- AASB 107 Cash Flow Statements
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 124 Related Party Disclosures
- AASB 1004 Contributions

The significant accounting policies adopted by the Foundation are:

Revenue recognition

The company recognises donations when received and grant income as revenue when funds have been committed by the project sponsor in respect of expenditure incurred.

Expenses

Expenses are brought to account on an accruals basis.

Income Tax

The company has been endorsed as an exempt charitable body for income tax purposes under the provisions of the Income Tax Assessment Act 1997.

**CHAIN REACTION FOUNDATION LTD
(a company limited by guarantee)**

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010

2. Liability of members

The company is limited by guarantee and every member undertakes to contribute an amount not exceeding \$100 if required in the event of a wind up of the company.

3. Related party disclosures

Key management personnel

The key management personnel of the company include its, Board of Directors whose names are:

Margaret Bell **AM** (Executive Chairman), Benjamin Chow, **AO**, Dorothy Harding, Rev John Henderson (resigned June 2010), Dr Sev Ozdowski **OAM** Abd-Elmasih Malak **AM** and Ali Roude **AM**.

Apart from Margaret Bell, none of the Board received any compensation in respect of the performance of his/her duties.

An amount of \$48,780 has been expensed in the year in respect of services provided to the company by Margaret Bell & Associates (2009 - \$52,000).

Other Key Management personnel include Ms Winsome Matthews and Ms Veronica Lucas who received \$29,223 (2009 - \$41,419) and \$35,210 (2009 - \$42,160) respectively for services rendered during the year.

**CHAIN REACTION FOUNDATION LTD
(a company limited by guarantee)**

DIRECTOR'S DECLARATION

In the opinion of the Directors of Chain Reaction Foundation Ltd:

1. The company is not a reporting entity.
2. The financial statements and notes of the Company as set out on pages 10 to 15 are in accordance with the basis of accounting described in Note 1 to the financial statements and the Corporation Act 2001 including:
 - (a) giving a true and fair view of the financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and cash flows for the financial year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Accounting Interpretations) and Corporations Regulations 2001 to the extent described in Note 1 to the financial statements; and
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Margaret Bell **AM**

Director

Dated on 17 December 2010 at Sydney



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Email: info@chainreaction.org.au Website: www.chainreaction.org.au



Independent audit report to the members of Chain Reaction Foundation Limited

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Chain Reaction Foundation Ltd (the company), which comprises the statement of financial position as at 30 June 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 11 to 17

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility also includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1 are appropriate to meet the needs of members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present a view which is consistent with our understanding of the company's financial position, and of its performance.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.



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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion, the financial report of Chain Reaction Foundation Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

KPMG

P M Reid
Partner

Sydney
17 December 2010