

CHAIN REACTION FOUNDATION LTD
(A company limited by guarantee)

ANNUAL REPORT



For year ended 30 June 2012

ABN 44 100 223 649

Directors present their report on the company for the year ended 30 June 2012.

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
Hon John Hood
Abd-Elmasih Malak AM
Andrew McCallum, AM
Dr Sev Ozdowski OAM

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 <i>AM</i>	3	3
Benjamin Chow <i>AO</i>	2	3
Dorothy Harding	3	3
Hon John Hood	2	3
Abd-Elmasih Malak <i>AM</i>	1	3
Andrew McCallum <i>AM</i>	2	3
Dr Sev Ozdowski <i>OAM</i>	2	3

Company Secretary

The company secretary is Veronica Lucas, 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 (34) and Partnership Organisations (37).

Operating Results

The net (deficit)/surplus for the financial year ending June 30 2012 was \$7,372 (2011 – deficit \$31,744). 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 2011 – 2012 were:

- Development and operation of Mt Druitt Learning Ground
- Conduct Enablers Programme Western Sydney
- Conduct Parenting Programme (or Family Life), in 2770 postcode (11 suburbs)
- Development and conduct Enablers *Train-the-Trainer* Project for replication in other areas beyond Mt Druitt
- Development of mentor training programme for volunteers working in capacity building environments
- Chain Reaction Breakfast Café Sydney and Melbourne
- Appointment as Partner Organisation with Volunteering Australia
- Participation in National Advisory Council on Volunteering for International Year of the Volunteer +10.
- Consultations with Federal and State governments, departmental senior staff, Trusts and Foundations, and corporate and community leaders as follows:

Consultations with:

Federal Government:

Ministers:

Minister Tanya Plibersek, Minister for Social Inclusion

Minister Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs

Minister Peter Garrett, Minister for School Education

Hon Ed Husic MP, Federal Member for Chifley

Shadow Ministers:

Hon. Malcolm Turnbull, Shadow Minister Communications and Broadband

Public Servants:

Managers and Senior staff FAHCSIA and DEEWR

Productivity Commissioner

First Assistant Secretary Department Prime Minister and Cabinet

NSW Government

Hon. Victor Dominello, Minister for Citizenship, Communities and Aboriginal Affairs

Hon. Pru Goward, Minister for Family and Community Services

Hon Greg Smith, Attorney General

Hon Richard Amery MP, Member for Mt Druitt

Trusts/Foundations

ANZ Trustees, Philanthropy Australia, Sir Ian Potter Foundation, Sidney Myer Foundation, Sisters of Charity Foundation, Uniting Care NSW/ACT, St George Foundation, Matana Foundation, Richmond Foundation, Fairfax Foundation, Marian and EH Flack Trust, AMP Foundation

Major Charities, Business and NGOs

Benevolent Society, Cancer Council NSW, Centre for Volunteering NSW, IBM Australia, Voice for the Voiceless, Volunteering Australia, National Council of Churches, Islamic Council of NSW, UNAA, Anglicare, Australian Diversity Council, NSW Human Rights Council of Young Lawyers, National Disabilities Council, ACWA, ACON, UWS, Volunteering Victoria, Australian Red Cross,

DIRECTORS' REPORT

Centre for Social Impact UNSW, Our Communities Victoria, Social Inclusion Board, Baptcare, Foundation for Young Australians, Lighthouse Foundation, Victoria, Bureau of Meteorology, Global Peace Initiative Parliament of World Religions, Alannah and Madeline Foundation, KPMG, Australian Institute of Company Directors, Oxfam, Headspace, Press Council of Australia, AWCH, Victorian Equal Opportunity and Human Rights Commission, Catholic Healthcare, Girl Guides Australia, Deacons, Housing NSW, NSW Jewish Board of Deputies, Invocare, The Parent Practice, Sydney Day Nursery, Maritime Museum, Keeping Australia Beautiful, Monitor Film Production, Mental Health Coordinating Council, Refugee Council of Australia, Marrickville Council, Hillsong, Salvation Army, St Vincent de Paul Society, Partnership Matters, Boardroom Partners, NSW Aboriginal Land Council, Matthew Talbot Homeless Service, Sydney City Council, Sydney Alliance, Social Ventures Australia, National Congress of Australia's First Peoples, Volunteering Queensland, University of Notre Dame

Local Community – Mt Druitt NSW

ACWA, ICAT, Blacktown City Council, Departments of Community Services, Community Health, Education, Housing, Police, Family Violence Unit, Graceades Community Cottage, Mt Druitt Combined Community Ministry, Mt Druitt Ethnic Community Agency, Probation and Parole, Reconciliation Committee, University of Western Sydney, Washhouse, Wundunarrkoo Aboriginal Centre, Mt Druitt TAFE, Bidwill Residents Action Group, Juvenile Justice, CatholicCare, Jesuit Social Services, Junaya, All local schools (21) Mt Druitt area.

Mt Druitt Learning Ground Project

Chain Reaction's major work for 2011 – 12 has been the further development of Mt Druitt Learning Ground. The project is designed as a behavioural change management centre offered to the most culturally diverse and disadvantaged families in the eleven suburbs of Mt Druitt, 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 volunteers prepared curriculum and course material and took care of recruitment details. Learning Ground continued to operate throughout 2011 – 12. A Part-time Project Coordinator was re-appointed in January when DEEWR on-going funding for 12 months was confirmed.

At the time of reporting Learning Ground is serving more than 60 families at a time consisting of at least one child and one adult from each family and has a waiting list. Twenty three 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, 175 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 in behavioural change 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.

We are particularly appreciative of funding received from St George Foundation, Marian and EH Flack Trust and DEEWR to make the programme possible this year.

Parenting Programme – Family Life

We were able to continue the Parent or “Family Life Program for a second year. Working together with our Partner Organisation, The Parent Practice Australia, we have tailored the work to be particularly helpful to Aboriginal families. The programme was offered three times in this reporting period. Two groups of twelve parents in each attended training mornings each week for six weeks. Training was conducted in how to:

- Catch children doing what is right and to build on the positive
- Listening with the capacity to really hear what is being said
- Assisting in the dynamic process of setting families up for success in living together
- Establishing rules that matter
- Taking corrective steps that really work.

We are most appreciative of the funding made available by DEEWR to conduct the programme at Learning Ground this year.

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 eighth year of offering the programme to around 264 participants.

We have also conducted a Train-the-Trainer programme for volunteer mentors.

Chain Reaction Breakfast Café

KPMG NSW and VIC, Senior Partner, Paul Reid, has hosted the bi-monthly Breakfast Café program in Melbourne and Sydney.

Around 80 people – business, government and community leaders are regular breakfast attendees. The concept and practise of social inclusion from different perspectives is examined at each breakfast with a range of excellent speakers drawn from Chain Reaction Specialist Consultants and other eminent citizens.

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

Partnerships on Social Inclusion

We have been pleased to present a series of seminars to several of our partner organisations throughout the year. Attended by community and government staff 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 2011 – 2012 reporting period:

- DEEWR – Australian Government Department of Education, Employment and Workplace Relations through the PaCE Program
- Department of Families, Housing, Community Services and Indigenous Affairs
- NSW Government Office of Communities, Community Building Partnership Program
- Sidney Myer Fund
- St George Foundation
- The Marian and E.H. Flack Trust
- Sherman Foundation
- CatholicCare Social Services
- Cancer Council NSW
- Paul Reid
- Bruce Bonyhady
- Jill Farrelly

Applications were placed for Project Funding with:

State Government:

Office of Communities and Youth Opportunities, Department of Family Community Services, Housing NSW, Department of Attorney General and Justice, NSW Department of Education.

Commonwealth Government:

Department of Families, Housing, Community Services and Indigenous Affairs,
DEEWR – Department of Employment Education & Workplace Relations.
DEEWR – Youth Development and Support Program

Foundations/Trusts:

ING Foundation, Chinese Community Foundation, Harold Mitchell Foundation, ANZ Trustees, Sidney Myer Fund, Telstra Foundation, Sisters of Charity Foundation, NRMA Foundation, Daniel Petre Foundation, Sir Ian Potter Foundation, Peter Brocks Foundation, St George Foundation, Coca-Cola Foundation, Scanlon Foundation, UnitingCare/Uniting Church, Scully Foundation, Marian & E.H. Flack Trust, Mercy Foundation, Blacktown City Council, Danks Trust, Bennelong Foundation, FRRR ANZ, Perpetual, Fairfax Family Foundation, Malcolm and Lucy Turnbull Foundation, Clubs Association NSW, Sabemo Trust, Foundation for Children, IOOF Foundation, AMEX, NIB Community Fund.

DIRECTORS' REPORT

Other Applications:

West Tradies Club, Standard Newspaper Mt Druitt, Westfield Mt Druitt. In all 40 funding applications were placed with those listed, funding was identified from 3 government departments, 4 Foundations/Trusts, 2 NGOs and 3 private donors.

Volunteers Contributions

Chain Reaction staff and volunteers have worked tirelessly throughout the year and we are particularly appreciative of the work of Tony Barnden, Peggy Cameron, John Dacey, Chris Dalton, Debbie Higgison, John Hood, Melissa Hood, Danielle Jackson, Veronica Lucas, Michael Ohlsen, Wayne Pennell, Sandra Pereria, Muriel Pittman, Pat Smith, Paul Sorrenson and Dale Watson, all of whom have worked with us at Mt Druitt Learning Ground.

We are also pleased to acknowledge the volunteer contribution of our 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.

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 tenth year of operation has been challenging with high demands for service and with exceedingly limited resources to be able to meet the demand. Outreach to private Trusts and Foundations are now very limited in yielding a positive result.

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 an even stronger place in Australia this year 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 is being realised.

Learning Ground is offering strong community leadership in behavioural change management and the Parenting (Family Life) Programme has been an excellent development for families of the area.

Chain Reaction continues to strive to encourage Australia's citizens to volunteer 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 government's strategic plan for volunteering over the next decade as a way forward in breaking the exclusion cycle and look forward to enhancing our partnership with Volunteering Australia in the area of volunteering and citizen engagement in the years ahead.

DIRECTORS' REPORT

Chain Reaction celebrated its 10th anniversary with a luncheon in the President's Dining Room, Parliament House, Sydney in May. It was hosted by Hon Greg Smith, Attorney General and welcomed Directors, Specialist Consultants and benefactors who have been with us over the years. A challenging road to travel to identify funding for our valuable work it has certainly been a road less travelled but one of immense rewards to those who have made the journey. To all those who have believed in us we are particularly grateful.

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. We have come to see that volunteering for change is more necessary than it has ever been and we continue to strive toward that end.

Signed in accordance with a resolution of the Board of Directors

Director

Sydney

29 November 2012



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 2012, 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

29 November 2012

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR TO 30 JUNE 2012**

	2012	2011
	\$	\$
REVENUE		
General		
Donations and private sector grants	75,800	54,875
Bank Interest	605	492
DEEWR grant for Mt Druitt Learning Ground	79,452	86,000
DOHCS grant for Learning Ground refurbishment	39,364	-
Sundry income	<u>1,100</u>	<u>1,764</u>
Total revenue	<u>196,321</u>	<u>143,131</u>
EXPENDITURE		
Chain Reaction Foundation running expenses	51,873	80,784
Mt Druitt Learning Ground expenses	<u>137,076</u>	<u>94,091</u>
Total expenditure	<u>188,949</u>	<u>174,875</u>
(Deficit)/surplus for the year	7,372	(31,744)
Income tax expense	<u>-</u>	<u>-</u>
(Deficit)/surplus for the year after income tax	7,372	(31,744)
Other comprehensive income	<u>-</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE YEAR	7,372	(31,744)
	=====	=====

The accompanying notes form part of these accounts

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

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	2012	2011
CURRENT ASSETS	\$	\$
Cash	90,507	31,792
Other (including grant funding due)	<u>-</u>	<u>2,000</u>
TOTAL CURRENT ASSETS	<u>90,507</u>	<u>33,792</u>
 NON-CURRENT ASSETS	 -	 -
TOTAL NON-CURRENT ASSETS	-	-
 TOTAL ASSETS	 <u>90,507</u>	 <u>33,792</u>
 CURRENT LIABILITIES		
Due on Learning Ground refurbishment	16,364	-
Other Creditors (incl GST payable)	37,902	29,471
Learning Ground grant in advance	24,548	-
TOTAL CURRENT LIABILITIES	<u>78,814</u>	<u>29,471</u>
 NON-CURRENT LIABILITIES	 -	 -
TOTAL NON-CURRENT LIABILITIES	-	-
 TOTAL LIABILITIES	 <u>78,814</u>	 <u>4,321</u>
 NET ASSETS	 <u>11,693</u>	 <u>4,321</u>
	=====	=====
EQUITY		
Accumulated profits		
Reserves		
TOTAL EQUITY	<u>11,693</u>	<u>4,321</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 2012**

	2012	2011
	\$	\$
Total changes in equity		
(Deficit)/Surplus for the year	7,372	(31,744)
Funds available for future use at the beginning of the financial year	<u>4,321</u>	<u>36,065</u>
Funds available for future use at the end of the financial year	<u>11,693</u>	<u>4,321</u>
Comprised of		
Accumulated funds		
Balance at the beginning of the financial year	4,321	36,065
(Deficit)/surplus for the year	<u>7,372</u>	<u>(31,744)</u>
Balance at the end of the financial year	<u>11,692</u>	<u>4,321</u>
Total	<u>11,692</u>	<u>4,321</u>

The accompanying notes form part of these accounts

**CHAIN REACTION FOUNDATION LTD
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

CASH FLOWS FROM OPERATING ACTIVITIES	2012	2011
	\$	\$
Cash Receipts in the course of operations	238,873	151,731
Cash Payments in the course of operations	(180,863)	(169,136)
Interest Received	605	492
	<hr/>	<hr/>
Net Cash provided by/(used in) Operating Activities	<u>58,615</u>	<u>(16,913)</u>
Net increase/(decrease) in cash held	58,715	(16,913)
Cash at the beginning of the financial year	31,792	48,705
Cash at the end of the financial year	<hr/> <u>90,507</u> =====	<hr/> <u>31,792</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 2012

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 2012

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, Hon John Hood, Abd-Elmasih Malak **AM**, Andrew McCallum **AM** and Dr Sev Ozdowski **OAM**.

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

An amount of \$47,265 has been expensed in the year in respect of services provided to the company by Margaret Bell & Associates (2011 - \$55,000).

Other Key Management personnel include Ms Debbie Higgison and Ms Veronica Lucas who received \$41,368 (2011 - \$14,771) and \$6,500 (2011 - \$11,340) respectively for services rendered during the year.

**CHAIN REACTION FOUNDATION LTD
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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 16 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 2012 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 29 November 2012 at Sydney



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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 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 3 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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 basis of preparation described in Note 1 to the financial statements, is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 policies and 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 and cash flows.



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 2012 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.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Chain Reaction Foundation Ltd to meet the requirements of the Corporations Act 2001. As a result the financial report may not be suitable for another purpose.

KPMG

P M Reid
Partner

Sydney
29 November 2012