

Chain Reaction Challenge Foundation

Special Purpose Annual Report

For the year ended 30 June 2012



Chain Reaction Challenge Foundation

30 June 2012

The financial report covers Chain Reaction Challenge Foundation as an individual entity. The Foundation is a Trust and the Trustee is Chain Reaction Challenge Pty Ltd ("the Trustee"). The Trustee's registered office is Level 24, 333 Collins Street, Melbourne, VIC 3000.

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Chain Reaction Challenge Foundation

Trustee's Report

30 June 2012

The directors of the Trustee of Chain Reaction Challenge Foundation ("the Foundation") present their report on the Foundation for the year 1 July 2011 to 30 June 2012 ("the year"). The Foundation is an Australian registered trust.

Directors

The following persons were directors of the Trustee Company during the whole of the financial year and up to the date of this report, unless otherwise indicated:

- Berrick Wilson
- Patrick McCurry (resigned on 31 December 2011)
- Daryl Browning (appointed 1 January 2012)
- David Hinde (appointed 1 January 2012)
- Mark Ryan (appointed 1 January 2012)
- Michael Byrom (appointed 1 January 2012)
- John Ward

Principal activities

Chain Reaction is the Ultimate Corporate Bike Challenge that raises money for sick children by challenging senior executives who have a passion for cycling and an awareness of their corporate social responsibilities, to ride a 1,000 plus kilometre course in 7 days.

Chain Reaction is not a mass-participation event; instead it concentrates on selected individuals who want the physical challenge. In return, they benefit from valuable networking opportunities and the immense satisfaction of directly helping sick children.

Dividends

No dividends were paid as the Foundation is prohibited pursuant to its Constitution to distribute dividends.

Review of operations

Chain Reaction Challenge Foundation raised funds of \$2,815,839 from activities relating to three rides that took place in Victoria, Queensland and New South Wales in 2012. Expenses relating to these rides accounted for \$725,878 and distributions made to charities for the year ended 30 June 2012 amounted to \$2,056,000.

Significant changes in the state of affairs

During the 2012 financial year, Chain Reaction continued to grow with the running of three events including its first event for the Sydney business community.

In addition to running its first Sydney ride, Chain Reaction ran its sixth ride for the Melbourne business community and its second ride for the Brisbane and Gold Coast business communities. Through the generous support of its corporate supporters and personal donors Chain Reaction has raised over \$2.8 million on behalf of its charity partners in 2012.

Trustee's Report (continued)

In addition to running three successful events Chain Reaction also changed the composition of its Board to ensure it is more reflective of its national focus. As a result Daryl Browning, David Hinde, Mark Ryan and Michael Byrom were appointed as Directors. Patrick McCurry who was a Director since 2007 and helped contribute to Chain Reaction's growth in its early years, resigned from the Board.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2012 that have significantly affected, or may significantly affect:

- (a) the Foundation's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Foundation's state of affairs in future financial years.

Environmental regulation

The Foundation is not subject to significant environmental regulations.

Indemnification and insurance of directors and auditors

No insurance premiums are paid out of the assets of the Foundation in regards to insurance cover provided to the directors of the Trustee. So long as the directors of the Trustee act in accordance with the Trust Deed and the applicable Law, the directors remain indemnified out of the assets of the Foundation against losses incurred while acting on behalf of the Foundation.

Auditor

PricewaterhouseCoopers has been appointed as auditors of the Foundation.

This report is made in accordance with a resolution of the directors of the Trustee Company of the Chain Reaction Challenge Foundation.



John Ward

Director

Melbourne

12 September 2012

Chain Reaction Challenge Foundation Foundation Information 30 June 2012

This financial report covers Chain Reaction Challenge Foundation as an individual entity. The financial report is presented in the Australian currency.

Chain Reaction Challenge Foundation is a Trust and its Trustee company, Chain Reaction Challenge Pty Ltd, is incorporated and domiciled in Australia. Its registered address and principal place of business is:

Level 24, 333 Collins Street
Melbourne VIC 3000

A description of the nature of the Foundation's operations and its principal activities is included in the review of operations on page 1 in the Trustee's report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 12 September 2012.

Chain Reaction Challenge Foundation Statement of Comprehensive Income For the year ended 30 June 2012

	Notes	30 June 2012 \$	30 June 2011 \$
<i>Revenue from fund raising activities</i>			
Victorian ride	3	961,999	1,048,800
Queensland ride	4	867,230	635,303
NSW ride	5	986,610	-
Other income		35,638	23,737
Total revenue		2,851,477	1,707,840
<i>Direct expenses</i>			
Victorian ride	3	(140,876)	(113,411)
Queensland ride	4	(142,360)	(127,163)
NSW ride	5	(123,888)	-
<i>Indirect expenses</i>			
Foundation development		(22,228)	(8,708)
Professional fees		(18,500)	(11,013)
Employee expenses	6	(235,901)	(149,945)
Travel		(18,316)	(7,026)
General and administration		(23,809)	(12,733)
Total expenses		(725,878)	(429,999)
Distributions to charities	7	(2,056,000)	(1,209,000)
Profit before income tax		69,599	68,841
Income tax	1 (c)	-	-
Profit for the year		69,599	68,841
Other comprehensive income for the period, net of tax		-	-
Comprehensive income		69,599	68,841

Chain Reaction Challenge Foundation Statement of Financial Position As at 30 June 2012

	Notes	30 June 2012 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	266,455	124,207
Net GST position		12,988	14,234
Total current assets		279,443	138,441
Non-current assets			
Total non-current assets		-	-
Total assets		279,443	138,441
LIABILITIES			
Current liabilities			
Employee entitlements		80,223	10,679
Other current liabilities		1,960	100
Total current liabilities		82,183	10,779
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		82,183	10,779
Net assets		197,261	127,662
EQUITY			
Current year profit		69,599	68,841
Retained earnings		127,662	58,821
Total equity		197,261	127,662

Chain Reaction Challenge Foundation Statement of Changes in Equity For the year ended 30 June 2012

	30 June 2012	30 June 2011
	\$	\$
Total equity at the beginning of the financial year	127,662	58,821
Profit for the year	69,599	68,841
Total equity at the end of the financial year	197,261	127,662

Chain Reaction Challenge Foundation Statement of Cash Flows For the year ended 30 June 2012

	Notes	30 June 2012 \$	30 June 2011 \$
Cash flows from operating activities			
Receipts from donations		2,815,839	1,689,223
Receipt of other income		35,638	23,737
Payments to suppliers and employees		(653,228)	(433,454)
Distributions to charities		(2,056,000)	(1,209,000)
Net cash inflow from operating activities	9	142,248	70,506
Net cash inflow (outflow) from investing activities		-	-
Net cash inflow (outflow) from financing activities		-	-
Net increase in cash and cash equivalents		142,248	70,506
Cash and cash equivalents at the beginning of the financial year		124,207	53,701
Cash and cash equivalents at the end of the year	8	266,455	124,207

Chain Reaction Challenge Foundation Notes to the Financial Statements For the year ended 30 June 2012

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of preparation

In the directors' opinion, the Foundation is not a reporting entity because there are no third party users dependent on general purpose financial reports.

This special purpose financial report that has been prepared to meet the requirements of the Trust Deed and distribute a financial report to the Trustee. The directors of the Trustee have determined that the accounting policies adopted are appropriate.

The entity has adopted the measurement requirements of Accounting Standards, Australian Interpretations, and other applicable Accounting Standards and Urgent Issues Group Interpretations. Disclosure requirements have not been adopted, with the exception of the following:

- AASB 101:** *Presentation of Financial Statements*
- AASB 107:** *Cash Flow Statements*

Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Foundation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Donations and Sponsorship

Donations and sponsorship income is recognised as income when received.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Foundation reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Income tax

The Foundation is a charitable fund and has received Australian Taxation Office endorsement for income tax exemption, and as such the income of the Foundation is not subject to income tax.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions.

(e) Goods and Services Tax (GST)

Items of revenue and expenses 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 the expense.

Cash flows are presented on a gross basis. In the future the Foundation may have GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority; these will be presented as an operating cash flow.

2 Critical accounting estimates and judgements

In the current financial year, Chain Reaction Challenge Foundation has made no critical accounting estimates or judgements.

3 Victorian Ride

	30 June 2012	30 June 2011
Revenue	\$	\$
Corporate donations/sponsors	431,909	500,978
Personal/rider donations	528,815	547,822
Other fundraising activities	1,275	-
<i>Total Revenue</i>	961,999	1,048,800
Expenses		
Uniforms	37,580	29,057
Accommodations, transportation, and meals	52,682	45,552
Insurance and training	12,797	12,157
Course reconnaissance expenses	2,037	3,981
Ride expenses and support	29,507	19,464
Photography	6,273	3,200
<i>Total Expenses</i>	140,876	113,411
Net Victorian Ride	821,123	935,389

4 Queensland Ride

Revenue

Corporate donations/sponsors
Personal/rider donations
Other fundraising activities
Total Revenue

30 June 2012	30 June 2011
\$	\$
455,187	317,500
409,252	286,288
2,791	31,515
867,230	635,303

Expenses

Uniforms
Accommodations, transportation, and meals
Insurance and training
Course reconnaissance expenses
Ride expenses and support
Photography
Other expenses
Total Expenses

41,134	25,361
49,910	35,719
13,546	12,157
3,076	3,074
33,558	27,069
1,136	2,800
-	20,983
142,360	127,163

Net Queensland Ride

724,870	508,140
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5 NSW Ride

Revenue

Corporate donations/sponsors
Personal/rider donations
Other fundraising activities
Total Revenue

30 June 2012	30 June 2011
\$	\$
465,000	-
510,990	-
10,620	-
986,610	-

Expenses

Uniforms
Accommodations, transportation, and meals
Insurance and training
Course reconnaissance expenses
Ride expenses and support
Photography
Total Expenses

32,437	-
43,723	-
4,829	-
4,247	-
35,652	-
3,000	-
123,888	-

Net NSW Ride

862,722	-
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6 Employee Remuneration

Employee remuneration includes bonuses for the financial years ended 30 June 2011 and 30 June 2012. The bonus for the year ended 30 June 2011 was not accrued for in the 30 June 2011 accounts.

7 Distributions to Charities

	30 June 2012	30 June 2011
	\$	\$
Victor Chang Cardiac Research Institute	740,000	-
Starlight Children's Foundation	550,000	477,500
Brisbane Royal Children's Hospital	250,000	177,500
Eastern Health	240,000	-
Aunties & Uncles (Queensland)	66,400	75,000
AEIOU Foundation	34,800	-
Cerebral Palsy Education Centre – Equipment and Teaching Aids Fund	30,000	50,000
Freedom Wheels	30,000	23,000
Children's Protection Society	30,000	-
E. Motion 21	30,000	-
Aid for the Blind	23,200	-
Cystic Fibrosis NSW	20,000	-
Redkite	11,600	-
Monash Children's Hospital	-	306,000
I Ski for Tommy – Melanoma Victoria	-	25,000
Click Foundation	-	25,000
Caleb Thorburn Foundation	-	25,000
Finnan's Gift - Royal Children's Hospital	-	25,000
Total Distributions to Charities	2,056,000	1,209,000

8 Current assets - Cash and cash equivalents

	30 June 2012	30 June 2011
	\$	\$
Cash at bank and on hand	266,455	124,207

9 Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2012	30 June 2011
	\$	\$
Profit for the period	69,599	68,841
Change in operating assets and liabilities		
Decrease in trade debtors	-	5,120
(Increase) / Decrease in GST position	1,246	(14,234)
Increase / (Decrease) in creditors, accruals and others	71,403	10,779
Net cash inflow from operating activities	142,248	70,506

10 Contingencies

There are no contingent assets or liabilities in respect to the financial statements of the Foundation for the year ended 30 June 2012.

11 Commitments

There are no outstanding commitments of the Foundation as of 30 June 2012.

Chain Reaction Challenge Foundation Trustee's Declaration 30 June 2012

As stated in Note 1(a) to the financial statements, in the directors' opinion, the Foundation is not a reporting entity because there are no third party users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet Trust Deed requirements.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 12 are in accordance with the Trust Deed, including:
 - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above; and
 - (ii) giving a true and fair view of the Foundation's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

This declaration is made under authority of a resolution of the directors of the Trustees.



John Ward

Director

Melbourne
12 September 2012



Independent auditor's report to the unit holders of Chain Reaction Challenge Foundation

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Chain Reaction Challenge Foundation (the Foundation), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the cash flow statement, and the statement of changes in equity for the year then ended, a summary of significant accounting policies, other explanatory notes and the trustees' declaration.

The responsibility of the directors of the trustee for the financial report

The directors of the Trustee are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial statements, which form part of the financial report, is appropriate to meet the requirements of: the Trust Deed dated 14 November 2007, the *VIC Fundraising Act 1998*, the *SA Collection for Charitable Purposes Act 1939*, the *QLD Collections Act 1996*, the *ACT Charitable Collections Act 2003* and the needs of the unit holders.

The directors' responsibility also includes such internal control as the directors' determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 Foundation'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 company'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.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- 1) the financial report of Chain Reaction Challenge Foundation (the Foundation):
 - (i) gives a true and fair view of the Foundation'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 to the financial statements; and
 - (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent to the extent described in Note 1 to the financial statements.
- 2) the financial report has been prepared and associated records have been properly kept, during the financial year ended 30 June 2012, in accordance with:
 - (i) sections 29 (1-9) and 32(1-4) of the *VIC Fundraising Act 1998*;
 - (ii) section 15 (1, 3) and 16 (1-2) of the *SA Collection for Charitable Purposes Act 1939*
 - (iii) sections 30 (1), 31(1-3) of the *QLD Collections Act 1966*
 - (iv) section 49 (1; 4-6) 50(2) of the *ACT Charitable Collections Act 2003*
- 3) based on our audit, we have not become aware of any matter that makes us believe that the Foundation has not complied with the obligations imposed by the financial reporting sections of the relevant Acts and regulations mentioned above.
- 4) the money received as a result of fundraising appeals conducted by the Foundation during the financial year ended 30 June 2012 has been properly accounted for and applied in accordance with the above mentioned Acts and regulations.

Basis of Accounting and Restriction on Distribution and Use

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 for distribution to the unit holders of Chain Reaction Challenge Foundation for the purpose of fulfilling the financial reporting obligations under the Trust Deed dated 14 November 2007 and under the *VIC Fundraising Act 1998*, the *SA Collection for Charitable Purposes Act 1939*, the *QLD Collections Act 1996*, and the *ACT Charitable Collections Act 2003*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the unit holders of Chain Reaction Challenge Foundation.

PricewaterhouseCoopers

Andrew Cronin
Partner

12 September 2012