

**The Challenge Trading Company
Limited**

Report and Audited Financial Statements

Year Ended

31 October 2017

Company Number 08341886

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The Challenge Trading Company Limited

Report and unaudited financial statements for the year ended 31 October 2017

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Directors

O Lee

R Ovens – Resigned 21 December 2016

M Cornish – Appointed 21 December 2016, Resigned 21 March 2017

D Evans – Appointed 21 March 2017

Registered office

Elizabeth House, 39 York Road, London, SE1 7NQ

Company number

08341886

Bankers

Lloyds Bank plc, The Strand, PO Box 1000, BX1 1LT

The Challenge Trading Company Limited

Report of the directors for the year ended 31 October 2017

The directors present their report together with the audited financial statements for the year ended 31 October 2017.

Results

The Statement of Comprehensive Income is set out on page 5 and shows the result for the year.

Principal activities

The principal activities of the company during the year were to obtain corporate funding for the HeadStart programme and to raise funds to support social mixing.

HeadStart inspires young people to strengthen their communities through volunteering, whilst supporting them to get ahead through skills workshops and a guaranteed interview for paid part-time or seasonal work. HeadStart is delivered in partnership with the Mayor of London and leading employers.

Business review and future developments

This company exists to raise funds for the parent company (The Challenge Network) and all profits are gift aided to the parent.

Charitable and political contributions

During the year the company made charitable contributions of £822,634 (2016 - £98,609). There were no political contributions.

Directors

The directors of the company during the year were as follows:

O Lee
R Ovens (resigned 21 December 2016)
M Cornish (resigned 21 March 2017)
D Evans (appointed 21 March 2017)

No director had any interest in the shares of the company.

Company Secretary

D Evans (appointed 21 March 2017)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - Small Entities.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board



D Evans
Director

Date ^{1st} May 2018

Independent auditor's report to the members of The Challenge Trading Company Limited

Opinion

We have audited the financial statements of The Challenge Trading Company Limited ("the Company") for the year ended 31 October 2017 which comprise the Profit and Loss Account, Balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of The Challenge Trading Company Limited continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

1. adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
2. the financial statements are not in agreement with the accounting records and returns; or
3. certain disclosures of Directors' remuneration specified by law are not made; or
4. we have not received all the information and explanations we require for our audit; or
5. the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Fiona Condron (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick

Date: *4 May 2018*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Challenge Trading Company Limited

Statement of Comprehensive income for the year ended 31 October 2017

	Note	2017 £	2016 £
Turnover	2	674,949	157,762
Cost of sales		-	-
Gross profit		674,949	157,762
Administrative expenses		(9,815)	(4)
Profit on ordinary activities before taxation		665,134	157,758
Taxation on profit from ordinary activities	4	31,552	(11,866)
Profit on ordinary activities after taxation		696,686	145,892
Qualifying Charitable donation to The Challenge Network		(822,634)	(98,609)
Retained (loss)/profit for the year		(125,948)	47,319
Opening shareholder funds		125,949	1
Closing shareholder funds		1	125,494

All amounts relate to continuing activities.

The company has not recognised gains and losses other than the loss above, and therefore no separate statement of total gains and losses has been presented.

The notes on pages 9 to 11 form part of these financial statements.

The Challenge Trading Company Limited

Balance sheet as at 31 October 2017

<i>Company number 08341886</i>	<i>Note</i>	2017 £	2017 £	2016 £	2016 £
Current assets					
Cash at bank		654,946		150,156	
Debtors	5	158,701		11,701	
		<u>813,647</u>		<u>161,857</u>	
Creditors: amounts falling due within one year					
	6	(813,646)		(35,908)	
		<u>1</u>		<u>125,949</u>	
Net current assets					
Total assets less current liabilities			1		125,949
Net assets			1		125,949
Capital and reserves					
Called up share capital	7		1		1
Profit and loss account	8		-		125,948
Shareholders' funds			1		125,949

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime in accordance with the provisions of FRS102 1A – small entities.

These financial statements were approved by the Board of Directors and authorised for issue on ^{15th} May 2018.

Signed on behalf of the Board of Directors

D Evans
Director



The notes on pages 9 to 11 form part of these financial statements.

The Challenge Trading Company Limited

Notes forming part of the financial statements for the year ended 31 October 2017

1 Accounting policies

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable United Kingdom and the Republic of Ireland accounting standards, including Financial Reporting Standard 102 (FRS 102), including the July 2015 Section 1A 'Small Entities' amendments.

The following principal accounting policies have been applied:

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery.

Going concern

The Company is dependent on the continued financial support of its parent undertaking The Challenge Network. The accounts of the Company have been prepared on a going concern basis as the parent Company has indicated it will continue to give the support required for the foreseeable future.

Cash flow exemption

As a qualifying entity (for the purposes of FRS 102 Section 1A, 'Small Entities'), the company has taken advantage of the reduced disclosure framework exemption from requirement to prepare a statement of cash flows.

Critical accounting judgements and estimations

In preparing the financial statements, the trustees are required to make estimates and judgements. The items in the financial statements where these judgements and estimates have been made include:

- (i) Accruals - The estimate for payables relates to the liabilities not settled at the year end. A review is performed on an individual creditor basis to estimate the amount will be collected.
- (ii) Provisions for bad debts. A review is performed at the year end and a provision made in respect of debtors not considered recoverable.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Directors

No directors received remuneration during the year. Costs are borne by the parent entity, The Challenge Network.

The Challenge Trading Company Limited

Notes forming part of the financial statements
for the year ended 31 October 2017

4 Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017 £	2016 £
UK corporation tax at 20% (2016: 20%)	133,027	31,552
Amounts gift aided and therefore not subject to income tax	(164,579)	(19,666)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u>(31,552)</u>	<u>11,886</u>

The tax amount due as at 31 October 2016 was not expected to be payable to HM Revenue and Customs as was intended that all profits of The Challenge Trading Company are to be distributed to the parent charity – The Challenge Network as a qualifying charitable donation. This gift aid distribution was made during the year ended 31 October 2017 and the prior year liability released.

5 Debtors

	2017 £	2016 £
Trade debtors	158,700	11,700
Amounts owed by group undertakings	1	1
	<u> </u>	<u> </u>
	<u>139,701</u>	<u>11,701</u>

All amounts shown under debtors fall due for payment within one year.

6 Creditors: amounts falling due within one year

	2017 £	2016 £
Other creditors	19,306	4,098
Corporation tax creditor	-	31,552
Amounts owing to group undertakings	794,340	259
	<u> </u>	<u> </u>
	<u>813,646</u>	<u>35,909</u>

7 Share capital

	2017 £	2016 £
<i>Allotted, called up but not paid</i>		
1 Ordinary share of £1 each	1	1
	<u> </u>	<u> </u>

The Challenge Trading Company Limited

**Notes forming part of the financial statements
for the year ended 31 October 2017 (continued)**

8 Related party transactions

This note lists the material transactions between other entities in which either Trustees or senior employees of the Challenge or their close family members hold positions of authority.

The only related party for the Challenge Trading Company is the parent charity – The Challenge Network. During the year there was one transaction relating to the qualifying charitable donation paid from the trading company of £158k. (2016: £98k). There were amounts owing at the year-end of £813,646 (2016: nil).

9 Ultimate parent company

At 31 October 2017, the company's ultimate parent company was The Challenge Network which is the parent of both the smallest and largest groups of which the company is a member.

The Principal activities of the Challenge Network are to inspire and connect people to build stronger communities. This is achieved by delivering:

- The National Citizen Service to young people throughout England.
- The HeadStart Programme which inspires them to stay involved with their communities by volunteering
- The StepForward programme which encourages social mixing via an apprenticeship programme for 18 year olds.

Copies of the consolidated financial statements of The Challenge Network are available from Companies House. The address for The Challenge Network is: 39 York Road, London, SE1 7NQ