

# Annual Report



## THE CHALLENGE

### The Challenge Network

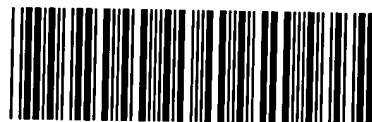
Report and financial statements

Year ended 31 October 2015

Company number 06845451

Registered charity number 1129239

WEDNESDAY



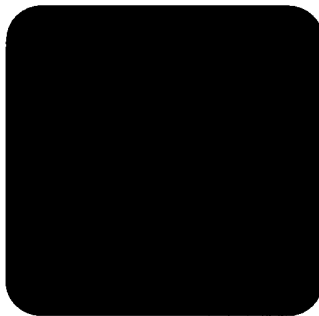
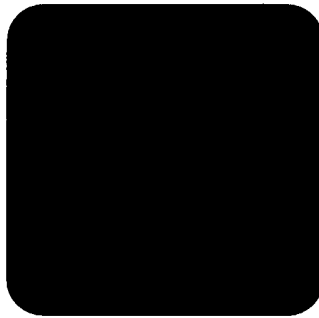
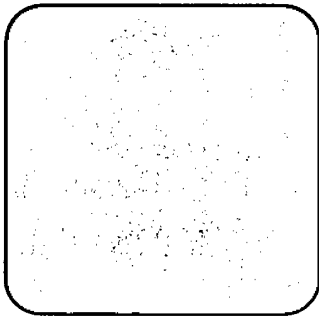
\*A55SJLWA\*

A25

27/04/2016

#396

COMPANIES HOUSE



# Contents

	Page
<b>Part I Report of the Trustees (incorporating the Strategic Report)</b>	<b>4-17</b>
<b>Organisational objectives and activities</b>	<b>4</b>
<b>Review of year ended 31 October 2015</b>	<b>5</b>
Organisational overview and review of strategy	5
Our services	6-8
Financial performance	9-11
<b>Strategy and priorities for year ending 31 October 2016</b>	<b>12-13</b>
Organisational and strategic goals	12
Our services	13
<b>Governance, management and policies</b>	<b>14 - 16</b>
<b>Statement of Trustees' Responsibilities</b>	<b>17</b>
<b>Part II Independent auditor's report</b>	<b>18-19</b>
<b>Part III Financial reports year ended October 2015</b>	<b>20-36</b>

**Trustees**

Colin Smith OBE – Chair

Paul Armstrong

Jenny Ashmore (appointed 5 October 2015)

Michelle Cummins

Martin Doel CBE (appointed 29 September 2015)

Maisie Dowd (resigned 26 January 2016)

Dan Guthrie

Richard Wilson

**Secretary and registered office**

Rob Ovens, 39 York Road, London, SE1 7NQ

**Chief Executive**

Oliver Lee OBE

**Company number**

06845451

**Registered charity number**

1129239

**Auditors**

External - BDO LLP, 2 City Place,  
Beehive Ring Road, Gatwick, West  
Sussex, RH6 0PA

Internal – Sayer Vincent, Invicta  
House, 108-114 Golden Lane,  
London, EC1Y 0TL

**Key Advisors**

Bankers - Lloyds Banking Group

Solicitors - Clifford Chance LLP

- Hogan Lovells (property)

- Lamb Brooks LLP (property)

# Part I Report of the Trustees (incorporating the Strategic Report)



## Organisational objectives and activities

**Mission: 'The Challenge is the UK's leading charity for building a more integrated society. We work on a local level to bring together people from all ages, ethnicities and walks of life, connecting communities and building trust.'**

Our country is becoming more diverse, by ethnicity, age and income. Diversity without integration is leading to greater inequality and barriers to accessing opportunities; this is costing our economy, and is raising levels of distrust and isolation in our communities. As diversity increases, it is critical that we steer our country towards greater integration.

The Challenge works on a local level to bring people together from all walks of life. We design and deliver programmes that change people's beliefs and attitudes towards those who are different from them, in order to bring about greater understanding, positive behaviour change, and a more integrated society. We work with all members of the

community (including young people, parents, guardians, schools, charities and businesses) to deliver our programmes, and we have brokered tens of thousands of social action and volunteering opportunities. We have a track record in bringing groups of different people together and giving them the opportunities, confidence, life and employability skills, and networks to succeed in life.

We all have a responsibility for our communities and society, and we all have the power to break down barriers. Join us on our programmes, and together we can build a stronger and more trusting society where our differences don't divide us.

## Organisational overview and review of strategy

It has been a very challenging year for the organisation. However, through individual and collective thought and commitment, we have achieved our goal of delivering large scale, financially sustainable, youth and community programmes that have the central aim of mixing diverse but local groups of people with each other.

Key achievements included:

- Growing our National Citizen Service (NCS) delivery by 54%, which included entry into the new NCS contract and the incorporation of two new delivery regions
- Growing HeadStart as it emerged from its pilot phase and expanded its footprint beyond London
- Seeing Step Forward safely through its pilot cohort and beyond
- Completing then promoting the key recommendations of the Social Integration Commission
- Raising the profile of our mission, our programmes and our organisation through focused cross-party advocacy, campaigns and communications efforts

In addition, we made a number of internal changes, including reshaping all directorships and establishing two new ones, to build strong foundations for future growth and impact by increasing our focus on strategy, operational effectiveness, HR and organisational development. These changes will help ensure our ever expanding organisation keeps its mission, values and culture at the heart of all that we do.

Review of year ended October 2015



# Our Services

## What we do

### NCS

The NCS programme involves teams of diverse 16 and 17 year olds from a local community taking on an intensive programme that includes physical, creative and social action challenges. Participants conclude the programme with fundraising, campaigning and a community project of their own design.

A typical programme of 60 young people is drawn from circa 10-15 schools in a local area (mainstream, independent, pupil referral units and special education needs schools) plus referrals from other youth organisations.

A full-time, 3 week programme (primarily residential) is followed by a month long, part-time social action project in the local community, involving 30 hours of service delivered at weekends. A graduate programme then signposts and supports young people to suitable opportunities that build on their experience, including our HeadStart offering where it is available.

### HeadStart

HeadStart gets young people volunteering in their local community so that they mix and meet people from all walks of life. It inspires young people to volunteer by guaranteeing everyone who does so an interview for a part-time job.

HeadStart is a win, win and win. It is a win for young people who gain critical skills for work and life through volunteering. It is a win for partnering employers who can recruit fantastic new staff - HeadStart candidates are up to four times more successful at job interviews than standard candidates and have a higher retention rate within their jobs. It is also a win for the local community which becomes more integrated as young people volunteer locally and get involved with the great work of local charities.

HeadStart is currently offered in London and Birmingham. It will be extending its offering to Manchester in 2016.

HeadStart is delivered with the support of employers including Bloomberg, Lloyds Banking Group, New Look, Starbucks, Berkeley Homes and Zendesk. In London, it is delivered in partnership with two partners: the Mayor of London and AGL Education.

### Step Forward

Step Forward is a socially mixed apprenticeship programme aiming to create the most employable 19 year olds in the country.

Step Forward Associates get a paid job for 12 months along with one day a week of free professional development training, support from a fully trained mentor, and friends and connections made for life.

Step Forward recruits young people as they leave school at age 18, placing them into employment, providing job specific and personal development training and building a diverse network of friends from across the economy to grow their networking skills and knowledge of different careers.

## Who used our services and how they deliver public benefit

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and the planning of future activities.

### NCS

The Challenge Network (TCN) is the largest provider of NCS in the UK, delivering our programme to 16 and 17 year olds across the country.

Within the year, TCN aimed to:

- Sign a contract with the NCS Trust covering delivery in 7 regions from 2015 to 2018
- Grow our NCS direct delivery by 54%, and our overall contractual responsibility to 34,600 participants
- Secure cross-party support for NCS ahead of the 2015 General Election

TCN either met or very nearly met these aims:

- Signed contracts with the NCS Trust to deliver NCS as the prime provider in the maximum 7 contract regions
- Delivered (directly or through partners) over 32,000 places, achieving an annual fill-rate of 93%, significantly above the average performance of other NCS providers
  - Thousands of people from community groups visited across the country, and 3,700 short term staff who worked on the programme, were also positively impacted
- Achieved positive reference to NCS in the manifestos of both main political parties, highlighting the quality of our delivery and the work of the NCS Trust.

### HeadStart

HeadStart helps young people build the networks they need to succeed in life and in work.

Within the year, HeadStart aimed to:

- Provide 25,000 hours of volunteering in local communities
- Inspire 1,440 young people to complete 16 hours of volunteering
- Raise £650,000 in funds

HeadStart met or very nearly met these aims:

- Provided 35,000 hours of volunteering, beating the target by 40%
- Inspired 1,471 young people to complete 16 hours of volunteering, beating the target by 2%
- Raised £579,000 in funds

Over two-thirds of young people completing HeadStart were judged as employable immediately by employers interviewing them. This makes HeadStarters more employable than standard candidates for all our employers – in one case it makes them four times as likely to be judged employable.

### Step Forward

Through Step Forward, we help 19 year olds build networks by connecting them directly with employers and equipping them with the skills they need to make smart decisions.

Within the year, Step Forward aimed to:

- Achieve an 85% completion rate in its first cohort of apprenticeships
- Start 162 apprentices for the second cohort of apprenticeships. This is a growth rate of 400% compared with the previous cohort

Step Forward either met or very nearly met these aims:

- Achieved an 88% completion rate in the first cohort of apprenticeships, beating the target; this is significantly above the national average for apprenticeship completions which is around 60-70
- Started 157 apprentices for the second cohort of apprenticeships, narrowly missing the target but achieving a 97% fill rate

Our apprentices scored themselves 4 (or above) out of 5 for the following questions:

- I am better at understanding what life is like for people who are different to me
- I am more confident in myself
- I am better at working in a team

## Social Integration Commission

In addition to the above programme delivery, this financial year saw the publication of the last two of the three reports by the Social Integration Commission. These focused on the costs to society and Her Majesty's Government of a lack of integration, and what might be done to avoid this. In order to maintain the policy momentum, we invested increased time, efforts and resources in our Public Affairs, Campaigns and Communications (PACC) team. This has resulted in a marked increase in our cross party advocacy at a point when social integration as an issue is climbing up the policy agenda with decision makers and opinion formers.

## Case studies

### HeadStart

"HeadStart has given me the confidence to believe in myself and to help me to achieve what I would have previously thought wasn't possible. It has also helped me to make a difference to my community, and the lives of the people I was working with throughout my volunteering. I've loved doing this... it makes me feel really good knowing I have made a difference." Lauren, HeadStart participant.

"All volunteers were very enthusiastic and worked really well. I found that most of them seemed quite apprehensive on their first day as they hadn't integrated with [people with] disabilities previously, which was totally understandable, however the change in them after just a couple of hours was immense. Their fear had gone, confidence was building and they were having fun! It's great for them to be aware of disabilities and diversity now." Gina, HeadStart Charity Partner, Enfield Stars.

"I was very apprehensive about working with HeadStart at first, as we'd never employed 16 year olds in the business in this capacity before, yet from the moment Gurveen got her induction materials she was incredibly proactive and mature. Gurveen is always constructive with her time – both listening carefully and using her initiative when required. You can see the difference between her and other 16 year olds we've come across - the skills gap is massive." Memuna, HeadStart Corporate Partner, Halifax Hounslow Central Branch.



### NCS

"The day we went to the elderly care home I was very nervous about going. However it was an eye-opening experience. When I played dominos with the residents I felt so close to them and it was probably the best day of the week because me and my granddad use to play it together. It was an amazing experience." Azam, NCS participant.

"The volunteers have been fantastic. The energy and enthusiasm of the volunteers inspired our clients and was a real morale boost for them. Everyone loves the mural that was painted and the project now looks much more colourful." Kevin, NCS Charity Partner, St Mungo's Broadway.

### Step Forward

"Going to university to study the wrong subject could have been a very expensive mistake. My year with Step Forward has given me the chance to get a huge amount of experience in the workplace as well as take stock and decide what it is I really want to do at university. I've totally changed my mind and am so glad I did Step Forward." Ashley, Step Forward participant.

"We have worked with Step Forward to recruit a number of apprentices across our organisation, the service provided was highly professional. We have found it a really efficient and effective way for us to recruit high calibre apprentices who are both professional and ready to learn and work. If you are looking to take on apprentices then I can strongly recommend working with Step Forward." Neil, Step Forward Corporate partner, London Early Years Foundation.



## Financial performance

### Financial performance

TCN's financial performance during the year has been driven by a significant increase in income and investment to lay the foundations of future growth.

Income rose 41% to £52.9m (2014 - £37.6m) due principally to the increase in young people who undertook the NCS programme with TCN and its partners.

The main costs during the year were related to the delivery of the NCS programme, and the Charity has invested in new staff structures and infrastructure to support the expanded delivery area under the new contracts. This was reflected in the rise of NCS costs in year which rose by 45% to £ 47.3m (2014 - £32.7m).

The other significant expenditure during the year related to the investment in the two new programmes, Step Forward and HeadStart, where combined costs were £1.5m. Overall costs for the organisation in 2015 rose 47% to £49.2m (2014 - £33.4m).

The successful delivery of the NCS programme to significantly more young people, together with a drive to be ever more cost efficient, whilst investing in our staff and infrastructure to support future growth, has resulted in a surplus for the year of £3.8m (2014 - £4.2m).

### Reserves policy

The Board has reviewed its reserves policy and adopted a risk based approach to reserves. TCN's policy is to hold a minimum level of unrestricted free reserves sufficient to cover the key risks identified in the risk review.

In addition, the Board has designated £1.1m towards underwriting the development costs of the HeadStart and Step Forward programmes in the current year.

As at 31 October 2015, unrestricted free reserves (less the net book value of fixed assets and designated funds) stood at £9.4m.

The minimum free reserves are calculated on the basis of the financial impact and probability of the significant risks identified in the risk review. The key risks have been identified as follows:

- Early termination of NCS contract: £2.3m
- Underwriting Step Forward costs in the event of termination of NCS contract: £2.3m
- Working capital requirement: £2.5m
- Data protection breach: £0.5m

The surplus of free reserves at 31 October 2015, after taking into account the risks and the designated funds, stood at £1.8m.

The Board is keen to ensure that the reserves are used in the most effective way in order to extend TCN's mission. The recently appointed Strategy and Operational Effectiveness Director is considering the opportunities that exist.

### Principal funding sources

The principal funding source for TCN is contract income relating to delivery of the National Citizen Service. In addition, TCN has raised funds from corporate donors to support HeadStart, and the funding for Step Forward is received from the Skills Funding Agency.

### Investment policy

TCN has sought external advice on the prudent investment of its funds. It has been agreed that in view of the option for the NCS Trust to terminate the NCS contract on six months' notice without cause, no investment should be made for a period greater than six months.

Investments should only be made with organisations with a credit rating of BBB+ or above (or equivalent), and no more than 25% of any available funds should be invested with any one organisation, other than TCN's primary bank, Lloyds.

### Going concern

In October 2014, TCN was advised that it had been successful in securing contracts to deliver NCS in seven regions of England until 2018. The total value of these contracts is approximately £250 million. Given our strong delivery track record of the NCS programme, the establishment of our enabling functions and the award of these contracts, the Trustees consider it is appropriate to prepare these financial statements on a going concern basis.

### Risk management

During the year, Sayer Vincent, Chartered Accountants, finalised their review of the areas of risk within TCN, in their capacity of Internal Auditors, and reported to the Audit

and Risk Committee.

Sayer Vincent's work split the areas of risk into two categories; strategic risks (largely delegated to be carried by Directors) and operational risks (largely delegated to be carried by Heads of Department).

The report identified risks which exist in all businesses, but did not identify any major areas of immediate concern. TCN is establishing a Legal and Compliance team to enable ongoing reviews of all areas of risk, and where appropriate, to ensure that processes and procedures are introduced or strengthened to mitigate such risk.

Internal control risks are managed by the implementation of procedures for the authorisation of transactions and projects. Given the nature of our programmes, safeguarding has also been identified as a key risk.

Procedures are in place to ensure compliance with health and safety of staff, volunteers, clients and visitors to our programmes, including enhanced DBS checks, rigorous staff assessments and training, references, risk assessments and parental consents.

The principal risk, identified in the risk review, is that each of the NCS agreements includes an option for the NCS Trust to terminate the contract on six months' notice without cause. In this event, the NCS Trust would indemnify TCN against any commitments, liabilities or expenditure incurred by reason of the termination, provided that all costs paid during the delivery year do not exceed the total sum payable for the year. The charity is also taking steps to mitigate this risk by diversifying its income through the development of HeadStart and Step Forward.

Data protection has also been identified as a key risk and the charity has updated its policies, procedures and systems to mitigate any potential threats.

The Directors consider risks to the business regularly and the Board reviews the risk review at least annually. Sayer Vincent will be invited to continue to monitor and advise on risk within the business during the current year, and will continue to report to the Audit and Risk Committee.

The identification and establishment of the Strategy and Operational Effectiveness directorship has also brought centralised rigour to our annual planning, thereby reducing risk. In addition, the organisation did a significant (consultant led) piece of work to check its resilience and processes in the aftermath of high profile charity closures and problems in other organisations. The work concluded that, whilst not complacent, TCN is not currently at risk of such outcomes.

#### Remuneration

TCN is committed to ensuring it pays its staff fairly in order that it can have maximum impact in delivering upon its mission by attracting and retaining the best talent with the right skills to deliver its services.

TCN discloses all staff in receipt of salaries of more than £60,000 and above (in bands of £10,000) within the notes forming part of the enclosed financial statements.

TCN remuneration is governed by the Remuneration Committee which considers and recommends to the Board the organisation's reward strategy and the remuneration of the Director Team (DT), including the CEO. It maintains awareness of remuneration for members of the Challenge Leadership Team (CLT) and offers broad guidance on remuneration policy more widely.

Its current membership consists of:

- Paul Armstrong – Chairman
- Michelle Cummins
- Dan Guthrie

The Remuneration Committee meets at least twice a year and the Committee Chairman is available to discuss the Committee's activities with auditors.

The main responsibilities of the Remuneration Committee are listed below. It:

- Determines and agrees with the Board the framework or broad policy for the reward strategy in the organisation
- Determines the specific remuneration of DT. No member of the senior leadership team is involved in any decisions as to their own remuneration
- Notes the remuneration of the CLT
- Obtains reliable, up-to-date information about remuneration in other charities
- Determines the policy for, and scope of, pension arrangements for each member of the DT
- Ensures that contractual terms on termination, and any payments made, are fair to the individual and the charity and that failure is not rewarded
- Oversees any major changes in employee benefits structures throughout the Charity
- Agrees the policy for authorising claims for expenses from the senior leadership team and Board

The Committee Chairman reports formally, and makes recommendations as appropriate, to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee is authorised by the Board to obtain, at the charity's expense, outside legal or other professional advice on any matters within its terms of reference.

## Organisational and strategic goals

In the coming year, we will have a durable organisation sitting on sound foundations into the medium and longer term. The year will see us rise towards ~1,000 core staff spread across 13 different office spaces, overseeing some ~50,000 young people undertaking our programmes. Concurrently, we will see the benefits of various areas of work coming to fruition to include:

- Defining our medium and long term strategy
- Ensuring our mission remains at the heart of what we do, and that we can effectively measure our impact against our mission
- Increasing our commitment to inclusion to ensure we can serve as many beneficiaries as possible
- Early preparations for the 2017 NCS tender
- Expanding HeadStart's footprint beyond London and Birmingham, and into Manchester
- Developing the organisation's brand and raising its profile such that we can extend our reach and impact
- Keeping all that we do aligned with the political and policy agenda so that we can exploit opportunities to build a stronger society and influence positive societal change more broadly
- Developing the leadership and management acumen at various levels in the organisation, and sharpening our values, in order to ensure growth and expansion are fully reconciled with culture and values

Strategy and priorities for year ending October 2016



## Our Services

### NCS

In 2016, TCN aims to deliver over 45,000 NCS contract places with our largest ever network of Local Delivery Partners. This amounts to a year on year growth of over 40%.

Much of this growth in participant numbers is expected to be achieved through increased conversion and driven by a new telesales function based in Manchester from January 2016.

An Operations Project carried out in 2015 identified changes we could make to programme delivery in order to increase capacity and quality, and reduce cost of outdoor education and university accommodation. Effective adoption of the recommended changes across all NCS departments in 2016/2017 is critical to our success in the coming year.

Preparation for 2017, including for an expected new procurement process, is a further important aim of the coming year.

### Step Forward

In 2016, Step Forward aims to achieve a completion rate of 85% for cohort 2 which is operating at 400% greater scale than cohort 1. It will also aim to recruit 250 associates successfully onto cohort 3.

### HeadStart

In 2016, HeadStart aims to inspire 2,700 young people to complete 16 hours of volunteering. This will translate into 60,000 volunteering hours.

It will also expand its footprint beyond London and Birmingham, and into Manchester and aim to raise £1.1m of funds.



# Governance, management and policies

## Governing document

TCN is a charitable company limited by guarantee, incorporated on 12 March 2009 and registered as a charity on 21 April 2009. The Company was established under a Memorandum of Association that established the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the Company being wound up, members are required to contribute an amount not exceeding £10.

TCN operates with a clear hierarchy of forums and related activities to enable good governance, leadership, management, planning, decision-making, operational delivery and risk management.

In descending order, this hierarchical structure involves the following groupings:

- The Board of Trustees (Board) meet every two months
- Sub-committees of the Board of Trustees:
  - Audit and Risk Committee, meet three times a year
  - Remuneration Committee, meet at least twice a year
  - Nominations Committee, meet as required, at least once a year
- The Director Team (DT), meet weekly
- The Challenge Leadership Team (CLT), meet monthly
- The National Citizen Service Leadership Team (NLT), meet weekly
- The Step Forward Leadership Team

(SLT), meet weekly

- The HeadStart Leadership Team (HLT), meet weekly
- The Wider Leadership Team (WLT), meet quarterly
- The Local Leadership Teams (LLT), meet weekly

## Board and Director Team

The Charity has a Board consisting at year-end of 8 members who meet at a full Board meeting at least every other month and are responsible for the strategic direction and governance of the Charity. The Trustees are from a variety of professional backgrounds relevant to the work of the charity. As already detailed, there are three Board sub-committees, covering remuneration, nomination, and risk and audit matters.

A scheme of delegation is in place and day-to-day responsibility for the provision of services rests with the Chief Executive along with five other members of the DT (Strategy and Operational Effectiveness Director, HR and Organisational Development Director, NCS Director, External Affairs and Operations Director, Chief Financial Officer). The DT is responsible for ensuring that the Charity delivers the services specified and that key performance indicators are met.

The governance architecture of TCN is outlined in a governance document, which has been shared with all staff via the organisation's intranet.

## Part I: Report of the Trustees

### Recruitment and appointment of new trustees

At the end of January 2015, Steven Peck resigned his trusteeship. In addition, Maisie Dowd gave notice of plans to resign as trustee and her resignation took effect 26 January 2016.

Trustees are required to seek re-election after serving for a period of 3 years. Richard Wilson was re-elected from 31 January 2015, whilst Dan Guthrie and Colin Smith were both re-elected from 27 March 2015.

Two new trustees were recruited during the year: Martin Doel and Jenny Ashmore. Martin Doel took up his trusteeship on the 29 September 2015 and Jenny Ashmore on the 5 October 2015. Work is ongoing to recruit one further trustee with particular experience in safeguarding.

### Induction and training of new trustees

Induction and training is provided through one-to-one and group sessions with management, briefings at Board meetings, and mentoring to individual trustees as required. Trustees are invited to attend the general staff induction training programme and are usually 'paired' with one of TCN's regional teams. This allows trustees to gain a greater operational perspective whilst increasing their visibility to the wider staff team.

Two trustees, Richard Wilson (a Partner at Ernst & Young) and Paul Armstrong (a Principal at Permira) are employed by member organisations of the Social Business Trust which provided £645,000 in kind support to TCN during the year.

### Communications with staff

We have established arrangements for consulting and involving staff in the work of TCN. There are formal and informal

opportunities for consultation over terms and conditions of employment and organisational decision-making.

As a strategy for coping with our organisational growth, both in terms of headcount and geographical footprint, we hold regular meetings to ensure that we provide opportunities for communication of information and discussion of events as they develop.

One objective of the quarterly WLT meetings is to keep staff informed on the long-term direction of the organisation. WLT meetings are an opportunity for staff to suggest ways in which we can improve as an organisation. One such example was the WLT's suggestion to implement a company intranet to act as a repository of important organisational information and share news and updates from different areas of the company. A refreshed and improved intranet, named The Hub by employees, was successfully implemented and has already had a great impact on improving and streamlining communications across the company.

The Hub provides easy access to important information including HR and Finance forms and policies, inclusion factsheets and safeguarding procedures, brand guidelines, etc. Regular updates from the CEO are also published on The Hub, as well as biweekly updates from each of our programmes and a weekly media digest written by Public Affairs.

The WLT is comprised of smaller LLTs from different zones which meet weekly. A member of the CLT attends these LLT meetings at least fortnightly and one of their roles in that forum is to ensure that key messages are communicated and cascaded both up and down the organisation.

Every two months, TCN send all employees a staff satisfaction survey which aims to capture staff's feelings and motivation levels. The results are analysed and discussed in national and local discussion groups. Employees have the power to make any reasonable changes necessary within

their zones to address any opportunities or concerns highlighted in the survey.

Finally, when any employee leaves TCN, we always ensure a thorough exit interview is held where we give individuals a final opportunity to influence decision makers by giving advice and recommendations on how to make TCN a better place to work.

#### Diversity and disability

TCN recognises that by embracing the principles of equality and diversity we will be more effective in pursuing our organisational aims. We are committed to treating job applicants and workers fairly and equally, throughout our operations, irrespective of sex, marital status, sexuality, gender identity, age, colour, race, nationality, religion, ethnicity or nationality, origin, disability, working pattern, educational or social background.

This applies to all aspects of the employment process, including recruitment and selection, training, promotion, career development, and, where necessary, selection for redundancy.

We have a strong commitment to developing the diversity of staff through equal opportunities policies, training, targets and practical action. This includes giving equal consideration to applications from disabled people and taking every reasonable measure to adapt our premises and working conditions to enable disabled people to work for us.



## Statement of Trustees' Responsibilities

The Trustees (comprising the Directors of TCN for the purposes of company law) are responsible for preparing this report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and charitable company and of the incoming resources and application of resources, including the income and expenditure, of the group and charitable company for that period. In preparing those financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charity SORP
- Make judgements and estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for

taking reasonable steps for the prevention and detection of fraud and other irregularities.

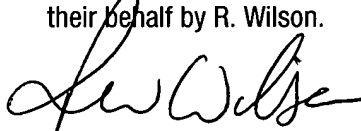
### Auditors

BDO LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

### Statement as to disclosure of information to auditors

So far as the Trustees are aware, there is no relevant information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each trustee has taken all the steps that they ought to have taken as a trustee in order to make them aware of any audit information and to establish that the charitable company's auditors are aware of that information.

The Report of The Trustees incorporating the Strategic Report was approved by The Trustees on 5 April 2016 and signed on their behalf by R. Wilson.



R Wilson  
Trustee

## Part II Independent auditor's report to the members of The Challenge Network



### Independent auditor's report

We have audited the financial statements of The Challenge Network for the year ended 31 October 2015 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity'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 Charity'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 Charity and the Charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 October 2015, and of the group's incoming resources and application of resources, including its income and expenditure, 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.

Part II: Independent auditor's report

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report incorporating the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- The parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent charitable company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

BDO LLP

Andrew Stickland

Senior Statutory Auditor for and on behalf of BDO LLP,  
Statutory Auditor

Gatwick, United Kingdom

Date 5 April 2016

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

**Part III Financial  
reports for year ended  
31 October 2015**



--	--

<b>Consolidated statement of financial activities for the year ended 31 October 2015 (incorporating the income and expenditure account)</b>	<b>p.21</b>
<b>Consolidated balance sheet at 31 October 2015</b>	<b>p.22</b>
<b>Parent charity balance sheet at 31 October 2015</b>	<b>p.23</b>
<b>Consolidated cash flow statement for the year ended 31 October 2015</b>	<b>p.24</b>
<b>Notes forming part of the financial statements for the year ended 31 October 2015</b>	<b>pp. 25-36</b>

# Consolidated statement of financial activities for the year ended 31 October 2015 (incorporating the income and expenditure account)

	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds 2015 £'000	Total funds 2014 £'000
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
Voluntary income	2a	1,426	516	1,942	2,104
Investment income	2c	114	-	114	15
<i>Incoming resources from charitable activities</i>					
	2b	50,900	-	50,900	35,528
<b>Total incoming resources</b>		<b>52,440</b>	<b>516</b>	<b>52,956</b>	<b>37,647</b>
<b>Resources expended</b>					
<i>Costs of generating voluntary income</i>					
		99	-	99	101
<i>Charitable activities</i>					
NCS	3	47,149	151	47,300	32,655
The Challenge Society	3	-	97	97	102
Step Forward	3	1,080	-	1,080	322
Headstart	3	185	280	465	121
Social Integration Commission	3	47	-	47	68
<i>Governance costs</i>	5	85	-	85	44
<b>Total resources expended</b>		<b>48,645</b>	<b>528</b>	<b>49,173</b>	<b>33,413</b>
<b>Net incoming / (outgoing) resources for the year</b>		<b>3,795</b>	<b>(12)</b>	<b>3,783</b>	<b>4,234</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		6,873	59	6,932	2,698
<b>Total funds carried forward</b>		<b>10,668</b>	<b>47</b>	<b>10,715</b>	<b>6,932</b>

All amounts relate to continuing activities. There are no recognised gains or losses other than the surplus for the year.  
The notes on pages 25 to 36 form part of these financial statements.

## Consolidated balance sheet at 31 October 2015

**Company number 06845451**

	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Fixed assets</b>			
Tangible assets	8.	137	66
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	6,369	3,341
Cash at bank and in hand		3,402	8,988
Short term deposits		6,066	3,003
		<hr/>	<hr/>
		15,837	15,332
<b>Creditors: amounts falling due within one year</b>	10	(5,259)	(8,466)
		<hr/>	<hr/>
<b>Net current assets</b>		10,578	6,866
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		10,715	6,932
		<hr/>	<hr/>
<b>Net assets</b>		10,715	6,932
		<hr/>	<hr/>
<b>Funds</b>			
Unrestricted funds	12	9,536	6,873
Designated funds	12	1,132	-
Restricted funds	12	47	59
		<hr/>	<hr/>
<b>Total funds</b>		10,715	6,932
		<hr/>	<hr/>

The financial statements were approved by the Board of Trustees and authorised for issue on 5 April 2016.



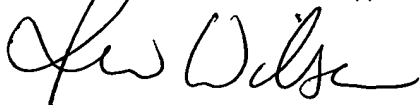
R Wilson  
Trustee

The notes on pages 25 to 36 form part of these financial statements.

## Parent charity balance sheet at 31 October 2015

<i>Company number 06845451</i>	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	8	137	66
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	6,437	3,440
Cash at bank and in hand		3,328	8,889
Cash on deposit		6,066	3,003
		<hr/>	<hr/>
		15,831	15,332
<b>Creditors: amounts falling due within one year</b>	10	(5,253)	(8,466)
		<hr/>	<hr/>
<b>Net current assets</b>		10,578	6,866
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		10,715	6,932
		<hr/>	<hr/>
<b>Net assets</b>		10,715	6,932
		<hr/>	<hr/>
<b>Funds</b>			
Unrestricted funds	12	9,536	6,873
Designated funds	12	1,132	-
Restricted funds	12	47	59
		<hr/>	<hr/>
<b>Total funds</b>		10,715	6,932
		<hr/>	<hr/>

The financial statements were approved by the Board of Trustees and authorised for issue on 5 April 2016.



R Wilson  
Trustee

The notes on pages 25 to 36 form part of these financial statements.

## Consolidated cash flow statement for the year ended 31 October 2015



	Note	2015 £'000	2014 £'000
Net cash (outflow) / inflow from operating activities	16	(2,518)	8,918
Returns on investments and servicing of finance	17	114	15
Capital expenditure	17	(119)	(53)
Net cash flow in the year	18	(2,523)	8,880

The notes on pages 25 to 36 form part of these financial statements.



## Notes forming part of the financial statements for the year ended 31 October 2015

### 1 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention. They have been prepared on a going concern basis and in compliance with Accounting and Reporting by Charities Statement of Recommended Practice 2005 ('SORP') issued by the Charity Commission, applicable UK accounting standards and with the Companies Act 2006.

#### *Basis of consolidation*

The consolidated financial statements incorporate the results of The Challenge Network and its subsidiary undertaking, The Challenge Trading Company Limited, on a line-by-line basis. Details of The Challenge Trading Company Limited can be found in Note 14 to the financial statements.

No separate Statement of Financial Activities has been prepared for the parent charity as permitted by section 408 of the Companies Act 2006 and section 397 of the SORP.

#### *Incoming resources*

All incoming resources are included on the Statement of Financial Activities when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. Income is allocated to general funds unless otherwise restricted by the donor or specifically designated by the Trustees. Contract income is included on an accruals basis and shown as accrued income until invoiced.

Grant income is recognised on notification when there is certainty, entitlement and the amount can be measured.

Donated services and facilities are only included in incoming resources, with an equivalent amount in resources expended, where the benefit to the Charity is reasonably quantifiable, measurable and in excess of 50% of its fair value. The value placed on these resources is the estimated value to the Charity of the service or facility received.

Commercial discounts are only recognised as incoming resources where they clearly represent a donation.

#### *Resources expended*

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources. Grants offered subject to conditions which have not been met at the year-end date are noted as a commitment but not accrued as expenditure.

Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

#### *Allocation and apportionment of costs*

Costs of generating funds are the costs directly attributable to raising funds. Charitable activity costs include all costs directly relating to the objective of the Charity and the costs involved in supporting that work.

## Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

### 1 Accounting policies (continued)

#### *Allocation and apportionment of costs (continued)*

Governance costs relate to audit fees, the cost of trustee recruitment and internal audit.

Support costs include those costs connected with the management of the Charity's assets, organisational management and administration. These include all expenditure not directly related to the charitable activity or fundraising ventures. Support costs are allocated on the basis of respective headcount.

#### *Depreciation*

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	-	25% on cost
Motor vehicles	-	25% on cost
Computer equipment	-	33% on cost

The charitable company does not capitalise any fixed assets costing less than £1,000.

#### *Taxation*

The company is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the company is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge arose in the period.

#### *Pension*

The Charity has introduced a defined contribution pension scheme which is available to all permanent employees who have successfully completed their probationary period. Contributions to the company's defined contribution pension scheme are charged to the Statement of Financial Activities in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

#### *Fund accounting*

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the Trustees. Designated funds have been earmarked at the discretion of the Trustees for particular programmes.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

#### *Leased assets*

The annual rentals in respect of assets held under operating lease are charged to the profit and loss account on a straight-line basis over the term of the lease.

# Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

## 2 Income

	2015 £'000	2014 £'000
<b>2(a) Voluntary income</b>		
Donations	1,326	1,694
Grants	516	310
Other income	100	100
	<hr/>	<hr/>
	1,942	2,104
	<hr/>	<hr/>

Donations include £1,306k (2014: £1,502k) for in-kind support from a number of different suppliers. The largest of these was £645k from the Social Business Trust. Included within this is £539k of support from Bain towards various growth projects. Also included within the Social Business Trust donation is £91k of strategic advice from Permira and £11k of legal support from Clifford Chance relating to the NCS contract, data protection and employment law advice. In addition £31k of legal support from Hogan Lovells has been received in relation to property advice.

Several places for venue hire were obtained at substantial discounts amounting to £450k (2014 - £482k). The corresponding expenses are included within charitable activities.

Grants received, included in the above, are as follows:

	2015 £'000	2014 £'000
British Gas	-	50
Greater London Authority	80	55
Barrow Cadbury Trust	7	18
Big Lottery	30	49
Heathrow Community Fund	137	137
Department of Education	152	-
Other Grants	-	1
Starbucks Foundation	60	-
Bloomberg	50	-
	<hr/>	<hr/>
	516	310
	<hr/>	<hr/>

# Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

## 2(b) Incoming resources from charitable activities

	2015 £'000	2014 £'000
Income from participants	701	771
Contract income	49,621	34,717
Step Forward	578	40
	<hr/>	<hr/>
	50,900	35,528
	<hr/>	<hr/>

## 2(c) Investment income

	2015 £'000	2014 £'000
Deposit account interest	114	15
	<hr/>	<hr/>

## 3 Charitable activities costs

	Direct costs £'000	Support costs (Note 4) £'000	Total 2015 £'000
NCS	42,144	5,156	47,300
The Challenge Society	97	-	97
Step Forward	896	184	1,080
HeadStart	407	58	465
Social Integration Commission	47	-	47
	<hr/>	<hr/>	<hr/>
Total	43,591	5,398	48,989
	<hr/>	<hr/>	<hr/>

## 4 Support costs

	Staff costs £'000	Property costs £,000	Other costs £'000	Total 2015 £'000	Total 2014 £'000
Charitable activities (Note 3)	1,589	1,084	2,725	5,398	4,579
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

## 5 Governance costs

	2015 £'000	2014 £'000
Auditors' remuneration (including VAT) - current year	36	34
- prior year	-	7
Auditors' remuneration for non-audit work	6	3
Trustee recruitment	22	-
Internal audit	21	-
	<hr/>	<hr/>
	85	44
	<hr/>	<hr/>

There were no trustees' remuneration or other benefits for the current or prior year.

### *Trustee expenses*

Trustee expenses relating to travel and subsistence totalling £345 (2014 - £810) were reimbursed to trustees in the year to 31 October 2015. These were paid to two trustees in both years.

## 6 Net incoming resources

	2015 £'000	2014 £'000
Net resources are stated after charging:		
Auditors' remuneration (including VAT)	36	41
Auditors' remuneration for non-audit work (including VAT)	6	3
Depreciation - owned assets	48	50
Operating lease charge in the year	1,084	547
	<hr/>	<hr/>

# Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

## 7 Employees

	2015 £'000	2014 £'000
Staff costs consist of:		
Wages and salaries	18,416	12,315
Social security costs	1,274	922
Pension costs	268	151
	<hr/>	<hr/>
	19,958	13,388
	<hr/>	<hr/>

The average monthly number of full-time equivalent employees during the year was as follows:

	2015 Number	2014 Number
Core permanent staff	510	348
Temporary programme staff	289	199
	<hr/>	<hr/>
	799	547
	<hr/>	<hr/>

In order to operate NCS in 2015, the charity employed 3,700 (2014 - 2,472) temporary programme staff during the Summer and Autumn programmes.

The number of higher paid staff with emoluments are as follows:

	2015 Number	2014 Number
£60,000 to £69,999	3	-
£70,000 to £79,999	2	-
£80,000 to £89,999	1	4
£90,000 to £99,999	1	-
£100,000 to £109,999	-	1
£120,000 to £129,999	1	-
	<hr/>	<hr/>

Total pension costs in respect of higher paid staff were £17,000 (2014: £10,000).

# Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

## 8 Tangible fixed assets

Group and parent	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<i>Cost</i>				
At 1 November 2014	14	46	196	256
Additions	12	34	73	119
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2015	26	80	269	375
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 November 2014	9	27	154	190
Charge for the year	5	14	29	48
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2015	14	41	183	238
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 October 2015	12	39	86	137
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2014	5	19	42	66
	<hr/>	<hr/>	<hr/>	<hr/>

## 9 Debtors: amounts falling due within one year

	Group 2015 £'000	Group 2014 £'000	Charity 2015 £'000	Charity 2014 £'000
Trade debtors	1,943	24	1,913	24
Other debtors	167	632	167	632
Amounts due from subsidiaries	-	-	98	99
Prepayments and accrued income	4,259	2,685	4,259	2,685
	<hr/>	<hr/>	<hr/>	<hr/>
	6,369	3,341	6,437	3,440
	<hr/>	<hr/>	<hr/>	<hr/>

Notes forming part of the financial statements for the year ended 31 October 2015  
(continued)

**10 Creditors: amounts falling due within one year**

	<b>Group 2015 £'000</b>	<b>Group 2014 £'000</b>	<b>Charity 2015 £'000</b>	<b>Charity 2014 £'000</b>
Trade creditors	2,342	2,206	2,342	2,206
Social security and other taxes	321	220	316	220
Other creditors	320	170	320	170
Deferred income	-	4,879	-	4,879
Accrued expenses	2,276	991	2,275	991
	<hr/>	<hr/>	<hr/>	<hr/>
	5,259	8,466	5,253	8,466
	<hr/>	<hr/>	<hr/>	<hr/>

Deferred income relates to funding received from various sources in advance of the year end in respect of activities which were carried out after the year end. Under the new NCS contract the payment profile has been changed resulting in no deferred income in the current year.

**11 Analysis of net assets between funds**

<b>Group</b>	<b>Unrestricted funds £'000</b>	<b>Restricted funds £'000</b>	<b>Total funds 2015 £'000</b>	<b>Total funds 2014 £'000</b>
Fixed assets	137	-	137	66
Current assets	15,790	47	15,837	15,332
Current liabilities	(5,259)	-	(5,259)	(8,466)
	<hr/>	<hr/>	<hr/>	<hr/>
	10,668	47	10,715	6,932
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

### 12 Movement in funds

Group and parent	At 1 November 2014 £'000	Income £'000	Expenditure £'000	Transfers movement in funds £'000	At 31 October 2015 £'000
<i>Unrestricted funds</i>					
General funds	6,873	52,438	48,643	(1,132)	9,536
Designated Funds					
HeadStart	-	-	-	316	316
Step Forward	-	-	-	816	816
<i>Restricted funds</i>					
British Airports Authority	49	137	186	-	-
Big Lottery	10	30	40	-	-
Barrow Cadbury	-	7	7	-	-
Greater London Authority	-	80	80	-	-
Department of Education	-	152	179	-	(27)
Bloomberg	-	50	16	-	34
Starbucks Foundation	-	60	20	-	40
<b>Total funds</b>	<b>6,932</b>	<b>52,954</b>	<b>49,171</b>	<b>-</b>	<b>10,715</b>

The Board has designated £1.1m towards underwriting the development costs of HeadStart and Step Forward programmes in the current year.

The Heathrow Community Fund (a grant making charity funded by British Airports Authority) gave grants totalling £137,000 for HeadStart and The Challenge Society to deliver a range of activities to benefit young people and local charities across the areas of Ealing, Hillingdon, Hounslow, Spelthorne and Slough.

The Big Lottery Fund grant of £30,000 has been spent on delivering The Challenge Society project for the benefit young people in North East London.

The Greater London Authority grant of £80,000 contributed to the cost of delivering the HeadStart London pilot.

Bloomberg (£50k), Starbucks Foundation (£60k), and Department of Education (£152k), have also contributed towards HeadStart in the past year. Barrow Cadbury have contributed £7k toward the work of the Social Integration Commission.

### 13 Members' liability

The liability of the members is limited. Members are liable to contribute to the assets of the company in the event of a winding up. They are liable while they are members and for a year after. The amount of this liability is restricted to £10 per member.

## Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

### 14 Subsidiary undertaking

The Challenge Trading Company Limited is a wholly owned subsidiary company limited by shares and registered and incorporated in the United Kingdom on 27 December 2012. Share capital of £1 is held by The Challenge Network. The results of the subsidiary undertaking are summarised below.

#### The Challenge Trading Company Limited

	2015 £	2014 £
Income	100,000	98,430
Surplus for the year gifted to parent charity	(98,331)	(98,430)
Assets	103,509	98,520
Liabilities	(103,508)	(98,519)
	<hr/>	<hr/>
<b>Net assets</b>	<b>1</b>	<b>1</b>
	<hr/>	<hr/>

### 15 Commitments under operating leases

As at 31 October 2015, the Charity had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2015 £'000	Land and buildings 2014 £'000
Operating leases which expire:		
Within one year	280	157
In two to five years	337	1
More than 5 years	24	-
	<hr/>	<hr/>
	<b>641</b>	<b>158</b>
	<hr/>	<hr/>

Notes forming part of the financial statements for the year ended 31 October 2015  
(continued)

**16 Reconciliation of net incoming resources to net cash (outflow) / inflow from operating activities**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Net incoming resources	3,783	4,234
Depreciation charges	48	50
Interest received	(114)	(15)
Increase in debtors	(3,028)	(1,763)
(Decrease) / Increase in creditors	(3,207)	6,412
	<hr/>	<hr/>
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(2,518)</b>	<b>8,918</b>
	<hr/>	<hr/>

**17 Analysis of cash flows for headings netted in the cash flow statement**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	114	15
	<hr/>	<hr/>
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>114</b>	<b>15</b>
	<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(119)	(53)
	<hr/>	<hr/>
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(119)</b>	<b>(53)</b>
	<hr/>	<hr/>

# Notes forming part of the financial statements for the year ended 31 October 2015 (continued)

## 18 Analysis of changes in cash

	At 1 November 2014 £'000	Cash flows £'000	At 31 October 2015 £'000
Cash at bank and in hand	8,988	(5,586)	3,402
Short term deposits	3,003	3,063	6,066
	<u>11,991</u>	<u>(2,523)</u>	<u>9,468</u>

## 19 Related party transactions

The company has taken advantage of the exemption in FRS 8 'Related Party Transactions' extended to subsidiary undertakings of 90% or more of whose voting rights are controlled within a group, where the consolidated financial statements are publically available. Accordingly, no disclosure has been made of transactions with entities that are part of the group, or investees of the group qualifying as related parties.



## The Challenge Network

Elizabeth House  
39 York Road  
London  
SE1 7NQ