

CHALLENGE EMPLOYMENT AND TRAINING LTD

ABN: 94 605 064 944

**Financial Report For The Year Ended
30 June 2017**

Challenge Employment and Training Ltd

ABN: 94 605 064 944

Financial Report For The Year Ended 30 June 2017

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CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
DIRECTORS' REPORT

Your directors present this report on the company for the financial year ended 30 June 2017.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Peter Stewart Rea - Chairperson
John Williams James - Director
John Gregory Vogel - Director
Richard Lindner - Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the company during the financial year to provide training services for employments.

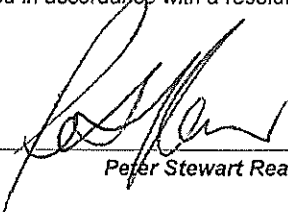
The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the company. At 30 June 2017, the total amount that members of the company are liable to contribute if the company is wound up is \$10 (2016: \$10).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 2 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.

Director



Peter Stewart Rea

Dated this 18th day of October 2017

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF
THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CHALLENGE EMPLOYMENT AND TRAINING

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Name David August Hartmann FCA
Registered Company Auditor No 5916



Date 18 /10/2017

Address Suite 9, 1990 Logan Road
Upper Mt Gravatt, QLD, 4122

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue	2	6,041,062	3,957,669
Other income	2	-	-
Employee provisions expense		(3,089,022)	(1,642,437)
Depreciation and amortisation expense	3	-	-
Interest expense	3	-	-
Bad and doubtful debts expense	3	-	-
Repairs, maintenance and vehicle running expenses		(272,826)	(193,205)
Fuel, light and power expense		-	-
Rental expense	3	(129,625)	(191,936)
Training expense		-	-
Audit, legal and consultancy fees		(15,375)	(7,850)
Administration expense		(2,108,863)	(1,637,095)
Marketing expenses		(25,940)	(15,136)
Client support services expense		-	-
Fundraising expenses		-	-
Sundry expenses		-	-
Current year surplus before income tax		399,411	270,010
Tax expense		-	-
Net current year surplus		<u>399,411</u>	<u>270,010</u>
Other comprehensive income			
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>399,411</u>	<u>270,010</u>
Profit attributable to members of the entity		<u>399,411</u>	<u>270,010</u>
Total comprehensive income attributable to members of the entity		<u>399,411</u>	<u>270,010</u>

The accompanying notes form part of these financial statements.

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash on hand	4	2,250,340	551,614
Accounts receivable and other debtors	5	383,668	738,367
Inventories on hand	6	3,029	768
Financial assets	8	-	-
Other current assets	7	1,300	1,300
TOTAL CURRENT ASSETS		<u>2,638,336</u>	<u>1,292,049</u>
NON-CURRENT ASSETS			
Financial assets	8	-	-
Property, plant and equipment	9	-	-
Intangible assets	10	-	-
Other non-current assets		-	-
TOTAL NON-CURRENT ASSETS		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>2,638,336</u>	<u>1,292,049</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	11	1,768,914	822,039
Lease liabilities	12	-	-
Employee provisions	13	-	-
TOTAL CURRENT LIABILITIES		<u>1,768,914</u>	<u>822,039</u>
NON-CURRENT LIABILITIES			
Lease liabilities	12	-	-
Borrowings		200,000	200,000
Employee provisions	13	-	-
TOTAL NON-CURRENT LIABILITIES		<u>200,000</u>	<u>200,000</u>
TOTAL LIABILITIES		<u>1,968,914</u>	<u>1,022,039</u>
NET ASSETS		<u>669,422</u>	<u>270,010</u>
EQUITY			
Retained surplus		669,422	270,010
Reserves		-	-
TOTAL EQUITY		<u>669,422</u>	<u>270,010</u>

The accompanying notes form part of these financial statements.

CHALLENGE EMPLOYMENT AND TRAINING LTD
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Retained Surplus	Revaluation Surplus	Financial Assets Reserve	Total
Note	\$	\$	\$	\$
Balance at 1 July 2015				-
Comprehensive Income				
Surplus for the year attributable to members of the entity	270,010			270,010
Other comprehensive income for the year				
Net fair value gains on available-for-sale financial assets			-	-
Gains on revaluation of land and buildings				-
Total other comprehensive income	-	-	-	-
Total comprehensive income attributable to members of the entity	270,010	-	-	270,010
Balance at 30 June 2016	270,010	-	-	270,010
Balance at 1 July 2016	270,010	-	-	270,010
Comprehensive Income				
Surplus for the year attributable to members of the entity	669,422			669,422
Other comprehensive income for the year				
Net fair value losses on available-for-sale financial assets			-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income attributable to members of the entity	669,422	-	-	669,422
Other transfers				
Cumulative revaluation surplus relating to sale of property, transferred to retained surplus transfers	-	-	-	-
Balance at 30 June 2017	939,432	-	-	939,432

The accompanying notes form part of these financial statements

CHALLENGE EMPLOYMENT AND TRAINING LTD
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Revenues from customers		6,705,578	3,219,302
Receipts from donations, bequests and raffles		-	-
Payments to suppliers and employees		(5,006,852)	(2,667,688)
Interest received		-	-
Dividends received		-	-
Interest paid		-	-
Net cash generated from operating activities	16	<u>1,698,726</u>	<u>551,614</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	-
Payment for property, plant and equipment		-	-
Net cash used in investing activities		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease commitments		-	-
Increase in finance lease commitments		-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase in cash held		1,698,726	551,614
Cash on hand at beginning of the financial year		551,614	-
Cash on hand at end of the financial year	4	<u><u>2,250,340</u></u>	<u><u>551,614</u></u>

The accompanying notes form part of these financial statements.

CHALLENGE EMPLOYMENT AND TRAINING LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

Challenge Employment and Training Ltd applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on [insert date] by the directors of the company.

Accounting Policies

(a) Revenue

Non-reciprocal grant revenue is recognised in profit or loss when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Challenge Employment and Training Ltd receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax.

(b) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value. Inventories held for distribution are measured at cost adjusted, when applicable, for any loss of service potential.

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Freehold Property

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings that have been contributed at no cost, or for nominal cost, are initially recognised and measured at the fair value of the asset at the date it is acquired.

Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.50%
Plant and equipment	10 - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases.

Finance leases are capitalised, recognising an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are recognised immediately as expenses in profit or loss.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value (refer to Note 1(q)), amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

CHALLENGE EMPLOYMENT AND TRAINING LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

CHALLENGE EMPLOYMENT AND TRAINING LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of Assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives

(g) Employee Benefits

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The Company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, in which case the obligations are presented as current liabilities.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the company receive defined contribution superannuation entitlements, for which the company pays the fixed superannuation guarantee contribution (revised from 9.25% to 9.5% with effect from 1 July 2014) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The company's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the company's statement of financial position.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

CHALLENGE EMPLOYMENT AND TRAINING LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(j) Income Tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(k) Intangible Assets

Software

Software is initially recognised at cost. It has a finite life and is carried at cost less any accumulated amortisation and impairment losses. Software has an estimated useful life of between [insert number] and [insert number] years. It is assessed annually for impairment.

(l) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of reporting period.

(m) Comparative Figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

(p) Economic Dependence

Challenge Employment and Training Ltd is dependent on the [insert details] for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the [insert details] will not continue to support Challenge Employment and Training Ltd.

(q) Fair Value of Assets and Liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

Note 2 Revenue and Other Income

	2017	2016
Revenue	\$	\$
Revenue from (non-reciprocal) government grants and other grants		
— State/federal government grants – operating	-	-
— Other government grants	-	-
— Other organisations	4,603,744	2,359,649
	4,603,744	2,359,649

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Other revenue		
— Dividends received	1,437,318	1,598,020
— Interest received on investments in government and fixed interest securities	-	-
	<u>1,437,318</u>	<u>1,598,020</u>
Total revenue	<u>6,041,062</u>	<u>3,957,669</u>
Other income		
— Gain on disposal of property, plant and equipment	-	-
— Net fair value gain on remeasurement of investments in held-for-trading listed shares	-	-
— Other	-	-
Total other income	<u>-</u>	<u>-</u>
Total revenue and other income	<u>6,041,062</u>	<u>3,957,669</u>

Note 3 Profit for the year

	2017	2016
	\$	\$
(a) Expenses		
Employee benefits expense:		
— contributions to defined contribution superannuation funds	240,905	151,359
— Employment expenses	2,848,117	1,491,078
Total employee benefits expense	<u>3,089,022</u>	<u>1,642,437</u>
Depreciation and amortisation:		
— land and buildings	-	-
— motor vehicles	-	-
— furniture and equipment	-	-
— software	-	-
Total depreciation and amortisation	<u>-</u>	<u>-</u>
Finance costs:		
— Interest expense on financial liabilities not at fair value through profit or loss	-	-
Bad and doubtful debts:		
— trade and other receivables	-	-
Rental expense on operating leases:		
— minimum lease payments	129,625	191,936
— contingent rents	-	-
Total Rental Expense	<u>129,625</u>	<u>191,936</u>
Audit fees		
— audit services	15,375	7,850
— taxation services	-	-
Total Audit Remuneration	<u>15,375</u>	<u>7,850</u>
(b) Significant Revenue and Expenses		
Net fair value loss on disposal of investments in available-for-sale listed shares	-	-
Property, plant and equipment:		
Proceeds on disposal		
Disposals at carrying amount		
Net gain on disposals	<u>-</u>	<u>-</u>

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Note 4 Cash and Cash Equivalents

	2017 \$	2016 \$
CURRENT		
Cash at bank	2,250,340	551,614
Cash on hand	-	-
Total cash on hand as stated in the statement of financial position and statement of cash flows	<u>2,250,340</u>	<u>551,614</u>
	<u>2,250,340</u>	<u>551,614</u>

Note 5 Trade and Other Receivables

	2017 \$	2016 \$
CURRENT		
Accounts receivable	383,668	738,367
Provision for doubtful debts	-	-
	<u>383,668</u>	<u>738,367</u>
Other debtors	-	-
Total current accounts receivable and other debtors	<u>383,668</u>	<u>738,367</u>

Note 6 Inventories

	2017 \$	2016 \$
CURRENT		
At cost:		
Inventory	3,029	768
	<u>3,029</u>	<u>768</u>
	<u>3,029</u>	<u>768</u>

Note 7 Other Assets

	2017 \$	2016 \$
Accrued Income	-	-
Prepayments	1,300	1,300
	<u>1,300</u>	<u>1,300</u>

Note 8 Financial Assets

	2017 \$	2016 \$
CURRENT		
Financial assets at fair value through profit or loss	-	-
NON-CURRENT		
Available-for-sale financial assets	-	-
Held-to-maturity investments	-	-
	<u>-</u>	<u>-</u>

Note 9 Property, Plant and Equipment

	2017 \$	2016 \$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	-	-
Less accumulated depreciation	-	-
Less accumulated impairment losses	-	-
	<u>-</u>	<u>-</u>
Total plant and equipment	<u>-</u>	<u>-</u>

Note 10 Intangible Assets

	2017 \$	2016 \$
Computer software - at cost	-	-
Accumulated amortisation	-	-
Accumulated impairment	-	-
Net carrying amount	<u>-</u>	<u>-</u>

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Note 11 Trade and Other Payables

	Note	2017 \$	2016 \$
CURRENT			
Accounts payable		1,768,914	822,039
Deferred income		-	-
Other current payables		-	-
Other payables (net amount of GST payable)		-	-
	11(a)	<u>1,768,914</u>	<u>822,039</u>
NON-CURRENT			
Accounts payable		-	-
Deferred income		-	-
Other non-current payables		-	-
Other payables (net amount of GST payable)		-	-
		<u>-</u>	<u>-</u>
		<u>2017</u>	<u>2016</u>
		<u>\$</u>	<u>\$</u>
(a) Financial liabilities at amortised cost classified as accounts payable and other payables			
Accounts payable and other payables:			
— Total current		1,768,914	822,039
— Total non-current		-	-
		<u>1,768,914</u>	<u>822,039</u>
Less deferred income		-	-
Less other payables (net amount of GST payable)		-	-
Financial liabilities as accounts payable and other payables		<u>1,768,914</u>	<u>822,039</u>

The average credit period on accounts payable and other payables (excluding GST payable) is [insert number] months. No interest is payable on outstanding payables during this period. For payables outstanding longer than [insert number] months, [insert percentage]% per annum is payable on the outstanding balance.

Note 12 Borrowings

	Note	2017 \$	2016 \$
CURRENT			
Lease liabilities		-	-
		<u>-</u>	<u>-</u>
NON-CURRENT			
Lease liabilities		200,000	200,000
		<u>200,000</u>	<u>200,000</u>
TOTAL LEASE LIABILITIES		<u>200,000</u>	<u>200,000</u>

Lease liabilities are secured by the underlying leased assets.

Note 13 Provisions

		2017 \$	2016 \$
CURRENT			
Provision for employee benefits: annual leave		-	-
Provision for employee benefits: long service leave		-	-
		<u>-</u>	<u>-</u>
NON-CURRENT			
Provision for employee benefits: long service leave		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

Note 14 Contingent Liabilities and Contingent Assets

There were no Contingent Liabilities and Contingent Assets at balance date.

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Note 15 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

Note 16 Other Related Party Transactions

	2017	2016
	\$	\$
Reconciliation of Cash Flows from Operating Activities with Net Current Year Surplus		
Net current year surplus	399,411	270,010
Non-cash flows:		
Depreciation and amortisation expense	-	-
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable and other debtors	354,700	(738,367)
Increase/(decrease) in accounts payable and other payables	946,876	822,039
(Increase)/decrease in accrued income	-	(1,300)
Increase/(decrease) in employee provisions		
(Increase)/decrease in inventories on hand	(2,261)	(768)
(Increase)/decrease in prepayments	-	200,000
	1,698,726	551,614

Note 17 Entity Details

The registered office of the entity is:

Challenge Employment and Training Ltd

The principal place of business is:

Challenge Employment and Training Ltd
21 Dunlop Street
Collingwood Park QLD 4301

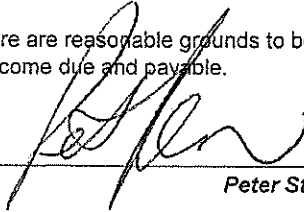
Note 18 Members' Guarantee

The entity is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$[insert amount] towards meeting any outstanding obligations of the entity. At 30 June 2017 the number of members was [insert no.].

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
DIRECTORS' DECLARATION

1. The financial statements and notes, as set out on pages 3 to 15, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director



Peter Stewart Rea

Dated this 18th day of October 2017

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHALLENGE EMPLOYMENT AND TRAINING LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Challenge Employment and Training Ltd (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Challenge Employment and Training Ltd is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Challenge Employment and Training Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

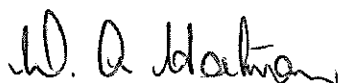
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

CHALLENGE EMPLOYMENT AND TRAINING LTD
ABN: 94 605 064 944
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHALLENGE EMPLOYMENT AND TRAINING LTD

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's signature:



Name and address:

David August Hartmann
Registered Company Auditor No 5916
Suite 9, 1990 Logan Road
Upper Mt Gravatt QLD 4122

Dated this

18th

day of

October

2017