

**THE OUTWARD BOUND TRUST
(Company limited by guarantee)**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

Company Number: 405180

Registered Charity Number: 313645



THE OUTWARD BOUND TRUST

PATRON: His Royal Highness The Duke of Edinburgh, KG, KT

TRUSTEES: His Royal Highness The Duke of York CVO, ADC - Chairman ****
His Royal Highness The Duke of Edinburgh KG, KT
Sir Chris Bonington CBE ***
Nigel Buchanan (appointed 1 July 2001) * / **
The Rt. Hon. Lord Harris of Peckham (appointed 25 May 2001, resigned 23 May 2002)
Alex van Heeren
Rev. Canon Michael Irving **
The Lord Kirkham CVO ****
Ian Lawson (retired 25 October 2001)
Peter Neumark * / **
Michael O'Neill (appointed 25 May 2001)
Dame Mary Peters DBE (appointed 25 May 2001)
Peter Ridsdale
Lady de Rothschild (appointed 25 July 2001)
John Spurling, OBE ****

* Member of the Audit Committee
** Member of the Remuneration Committee
*** Chairman of the Operational Risk Management Committee
**** Member of the Nominations Committee

SENIOR EXECUTIVES: Sir Michael Hobbs KCVO, CBE Director
Anne Ireland Director of Finance & Administration (to 30 May 2002)
Sophie Reader Head of Finance (from 1 March 2002)
William Ripley Managing Director
Steve Howe Sales and Marketing Director
Roger Eames Properties Director
Emma Gardiner Head of Fundraising (to 1 March 2002)
Mandy Harris Head of Fundraising (from 1 March 2002)

**FUNDRAISING
CONSULTANT:** Eric Worrall CVO

COMPANY SECRETARY: Nigel Buchanan (appointed 23 May 2002)
Anne Ireland (resigned 23 May 2002)

HEADQUARTERS: The Outward Bound Trust Tel: 020 7928 1991
207 Waterloo Road Fax: 020 7928 3733
London SE1 8XD
web site: www.outwardbound-uk.org
email: enquiries@outwardbound-uk.org

REGISTERED OFFICE: 12 Plumtree Court, London. EC4A 4HT

| | | | |
|------------------|--|-----------------|--|
| AUDITORS: | PricewaterhouseCoopers 1 Embankment Place London WC2N 6RH | BANKERS: | Barclays Bank Plc Northamptonshire Business Centre PO Box 449 Spring Villas Cliftonville, Northampton NN1 5ZF |
|------------------|--|-----------------|--|

| | | | |
|--------------------|--|----------------------------------|---|
| SOLICITORS: | McCormicks Britannia Chambers 4 Oxford Place Leeds LS1 3AX | TRADEMARK SOLICITORS: | Humphreys & Co. 14 King Street Bristol BS1 4EF |
|--------------------|--|----------------------------------|---|

THE OUTWARD BOUND TRUST

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2002

CHARITABLE OBJECTIVES

The Trust's charitable objectives, as described in the Memorandum of Association, are "to promote for the public benefit the personal development of young people by education and instruction through participation in a wide variety of activities with special emphasis on physical endeavour in the outdoors." In 1994 the Trustees agreed with the Charity Commission that in this context, young people mean those under the age of 25. Personal and professional development courses are also provided for older people, and this is done through a separate wholly-owned subsidiary company.

A great deal has changed in the 60 years since the Trust's foundation, but the basic need remains the same. In the words of the great educator Kurt Hahn, "We are all better than we know. If only we can be brought to realise this, we may never be prepared to settle for anything less". In today's world, the pressures on young people are intense and varied, and lack of self-confidence and self-esteem is only too common. The Trust's courses make a significant contribution to their personal development, helping to build their confidence and character to equip them to meet the challenges they face both now and in the future.

Through outdoor challenges the Trust's courses show young people the meaning of the greatest sentence in the English language - "I can!".

LEGAL STATUS AND ORGANISATIONAL STRUCTURE

The Outward Bound Trust was established as a charity in 1941 and incorporated as a company limited by guarantee on 27 February 1946. A revised constitution was adopted on 12 February 1997 which allows for a Board of between 10 and 15 Trustees. The current Trustees are listed on page 1. They are directors of the company. The Trustees are also the Members of the company. The liability of Members is limited, and their individual limit of guarantee is £1. There are no Members of the Trust who are not Trustees.

Trustees are appointed on the recommendation of a Nominations Committee, which aims to ensure that the Board is well balanced. Trustees are re-elected at the Annual General Meeting, which is generally held in October each year.

The Governing Instrument of the Trust is a Memorandum and Articles of Association.

The Trust owns three residential centres in the United Kingdom; Aberdovey on the west coast of Wales and Ullswater and Eskdale in the Lake District of England. The Trust also leases a fourth centre at Loch Eil in the Highlands of Scotland at a nominal rent from The Dulverton Trust. The Aberdovey, Ullswater and Loch Eil centres concentrate on the Trust's charitable work with young people. The Eskdale centre is used for professional management training programmes which are run by one of the Trust's subsidiary companies, Outward Bound Professional Limited.

Courses for both young people and adults are also run as and when required at other third-party locations not owned by the Trust and, as the centres become increasingly full, the number of "off-site" courses grows.

The Trust's Head Office, incorporating the Director's office, fundraising, finance and administration is located in London. Operational management and sales and marketing are based at Ullswater.

A second trading subsidiary, Outward Bound Trading Limited, organises fund-raising events and other activities on behalf of the Trust.

Volunteer Outward Bound® Associations

Volunteers undertake invaluable work by promoting the Trust, working with young people in the local area and by raising funds to help pay for course fees. Associations work as branches under the umbrella of the central Trust. During the year new Accreditation Agreements were drawn up which clarified the working relationship between an Outward Bound® Association and the Trust, entitled the Association to

THE OUTWARD BOUND TRUST

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

use the charity's trademarked name and logo and set out standards for the conduct of their work. A total of 12 Associations have already signed up to the new Agreement and have become fully accredited. Other groups are working towards accreditation in the new year.

REVIEW OF ACTIVITIES

Outward Bound® courses

The Trust offers courses varying in length from day activities to the three-week residential "Classic". They are open to all young people, regardless of background, race or religion. All courses combine the challenges of adventurous outdoor activities with the development of personal skills such as teamwork, leadership, communication and self-confidence. Some courses are designed to provide specific skills qualifications, such as mountain leadership, sailing, canoeing and kayaking. Many courses are tailor-made for groups from schools and other youth organisations to provide particular learning experiences to fit in with wider educational programmes.

The full range of courses is shown on the Trust's website, www.outwardbound-uk.org.

Global expeditions

In July 2001 the Trust ran its first international course. Two of the Trust's instructors took a group of 16 year olds to Slovakia for two weeks, working with colleagues from Outward Bound® Slovakia to put together a programme of outdoor activities, a challenging mountain journey and work on a community project in Bratislava. The course received tremendous praise, and there is considerable demand from customers for more. Further expeditions have been planned for 2002 and 2003 in Slovakia and other destinations overseas. Locations are carefully chosen where the Trust can work closely with the local Outward Bound® organisation to offer safe adventurous experiences overseas. All expeditions will have members of the Trust's own instructor team accompanying the group.

Bursary Scheme

The Trust aims to make Outward Bound® courses accessible to all young people, regardless of financial resources. To this end, the Trust has a major programme of bursaries, which are made available to those young people who would otherwise not be able to afford course fees. During the year a total of £761,000 was given in bursaries, representing nearly 20% of the total value of courses. This was an increase of £107,000 over the previous year.

This would not be possible without the commitment of the Trust's supporters and the generosity of many donors, both private and corporate. Many supporters are members of The Patron's Company and as such commit to giving annual donations to the Trust's bursary programme. The majority of bursaries available to participants are funded in this way.

The Trust received a major boost to its donations programme for bursaries when it was successful in its bid to become one of the two Official Charities of the 2002 Flora London Marathon. Funds raised from runners and donors in connection with the Marathon will be used to provide bursaries for Outward Bound® activities for young people from London and other urban centres.

Effects of Foot and Mouth Disease

The early months of the year were blighted by the outbreak of Foot and Mouth Disease which affected rural areas throughout the UK. All the Trust's centres were affected to a greater or lesser extent, with the Lake District being particularly badly hit. All centres remained open for the whole period, and the Trust was able to offer a full range of land-based activities within the centres' own grounds and normal water-based activities on sea and lakes. Mountaineering activities and expeditions were necessarily curtailed for the prime summer months, although Loch Eil was able to offer a number of courses from mid-April 2001 onwards as restrictions were lifted in the Highlands of Scotland earlier than elsewhere.

THE OUTWARD BOUND TRUST

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

Operational staff were at their most creative in ensuring that participants benefited from a wide range of imaginative activities, and the Trust's sales staff were very successful in reassuring customers that Outward Bound® centres were open and active.

It is difficult to assess the level of lost income to the Trust due to Foot and Mouth in the year through lost bookings. Cancellations of courses already booked before the outbreak totalled £55,000. It is likely that the full impact was between £100,000 and £150,000.

FINANCIAL RESULTS

Net expenditure for the year was £44,000 (2001: Net income of £94,000). Net income of £144,000 arose on the General Fund (2001: net expenditure of £127,000) which is the surplus of £75,000 plus £69,000 maintenance fund expenditure.

Income from the charity's Outward Bound® courses rose by 24% to £3.9m, inclusive of the value of bursaries granted. Income from professional management programmes rose by 31% to £2.2m. Both these are remarkable results given the operational difficulties encountered during the year.

Expenditure on charitable activities rose by 14% to £4.7m. The tax burden suffered by the charity on this expenditure through irrecoverable VAT rose by 53% to £209,000. This increasingly large number in the Trust's budget arises as the charity is unable to reclaim the full amount of VAT on its purchases, as its course income is not subject to VAT. Whilst this is of course attractive to many of the Trust's customers, it does mean that operating costs bear a high tax burden. Continual lobbying of the Government by the charity sector generally has to date met with no success, and this continues to be a matter of concern to many charities.

The Trust's balance sheet at 31 March 2002 showed a marked improvement. Thanks to the receipt of a long-term interest-free loan of £1m during the year, net current liabilities have reduced to £745,000 from £1,737,000 at 31 March 2001. Negotiations for a further long-term loan of £1m, with interest paid by a donor, were completed in May 2002 with the result that, at the date of signing, there is a net current assets position for the first time for 10 years.

Total assets less current liabilities were £3.4m at 31 March 2002 (2001: £2.6m). Total funds, including endowment and restricted funds, reduced by £43,000. Unrestricted funds increased by £60,000.

The overall financial position is therefore encouraging. There is still a long way to go before all debts have been repaid and reserves have been built up to the necessary level, but there are many signs that allow the Trustees confidence that the Trust is firmly on the right path. The Trust's auditors have now removed their statement over the fundamental uncertainty about going concern, which has been a feature of reports for the last 6 years.

FUND RAISING

The fundraising team had a very active year and raised a total of £1,434,000 after all costs (2001: £1,701,000). The Trust only established its own in house fundraising in 2001, and the increase in costs from £369,000 to £694,000 reflect the development of the full staff complement of the new team. The total funds raised were badly affected by the terrorist attacks on September 11th, which was the date of a major planned fundraising trip to the US incorporating a series of events expected to raise £200,000 net of costs.

However on the positive side there were several exciting new ventures launched during the year, including recruitment of the first Convoy benefactor, the Trust's London Marathon project and the Catalyst donations programme.

Convoy

The Convoy scheme was launched by HRH The Duke of York to gather together a group of influential benefactors to help the Trust achieve two main strategic ends; to accumulate adequate reserves and to finance future expansion. The first Convoy member, Evans (Holdings) Limited, was recruited in February 2002 and their support took the form of providing the Trust with an interest-free loan of £1m for

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

5 years. The Trust has deposited this cash with its bankers, who have allowed it to be off-set for interest calculation purposes against the overdraft. The Trust is therefore now effectively charged an interest rate of 1.5% on £1m of its borrowings. A second Convoy benefactor was recruited in May 2002. Interest savings / income on these loans is unrestricted.

Flora London Marathon

The London Marathon, which was run on 14th April 2002, proved an enormous success, with 212 runners raising funds for the Trust and a number of high-profile activities for supporters. Runners wore special "Outward Bound®" vests, and one member of staff carried a canoe the whole way round, which attracted extensive television coverage. The 2002 Marathon is expected to raise between £300,000 and £400,000 net of costs. The Trust will be able to build on this experience next year through its entitlement to 110 places in the 2003 Marathon. Income of £100,000 was received prior to the 31st March 2002 but was deferred at that date and was released on 14th April 2002.

Catalyst

A new programme was launched at the end of 2001 to attract donors to provide funds to support the infrastructure of the centres, without which the Trust could not continue to offer Outward Bound® courses to those who benefit so much from them. Instructors, equipment and the centres themselves need continual investment in order to maintain the high standards that people expect from Outward Bound®. The first presentation was made in December 2001, and the first two donations were received before the end of March, totalling £11,000. This programme is expected to grow in 2002/03 with further presentations to potential donors.

Patron's Company

A number of companies who were part of the Patron's Company have suffered from the economic downturn in the year, so that in spite of active recruitment of new members, the total membership ended the year at 71, down two from the start of the year. However presentations to potential new members are well supported, with the majority then going on to commit to becoming members. The quality of the Trust's presentations has been enhanced this year by the production of a new video, which was generously funded by a Trustee. A number of late donations in respect of 2001/02 commitments, totalling £115,000, were received shortly after the year end and are excluded from the total of £818,000 raised through the Patron's Company in the year.

RELATED ORGANISATION - OUTWARD BOUND INTERNATIONAL

The Outward Bound Trust is one of 29 national members of Outward Bound International (OBI), which is a non-profit organisation incorporated in Canada. A further 3 countries have provisional or exploratory status. The principal objects of OBI are to work on the Trust's behalf in protecting the trademark, and in implementing and monitoring safety protocols.

The Board of OBI works closely with The Outward Bound Trust to ensure that all member organisations are properly licensed to operate to required standards under the trademarked Outward Bound name.

RESERVES

The Trustees continue to be committed first to eliminating the Trust's debts and then to working towards building the Trust's free reserves. The Trustees' Reserves Policy sets out an assessment of an appropriate level of free reserves of £5m which the Trustees aim to accumulate following repayment of all borrowings. In considering the target level of reserves, the Trustees have taken into consideration the Trust's needs for appropriate protection against normal financial and business risks, a stable financial foundation and adequate funding to take advantage of the potential for further growth. The Trustees consider that the present practices of the Board, Committees and the senior executive team in planning and evaluating operational and financial performance are adequate for monitoring the progress of their Reserves plans. The Trustees hope to raise this level of reserves by fundraising.

THE OUTWARD BOUND TRUST

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

INVESTMENTS POLICY

There are no restrictions on the charity's power to invest. The investments of the Trust are held within the restricted and endowment funds and generate income for specific purposes, primarily bursaries. The investment policy is to select investments based on their income growth potential and this is monitored throughout the year. The income received in the year is in line with expectations.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Trustees are committed to the principles of good governance practice as recommended by the Combined Code prepared by the Committee on Corporate Governance. The Trust has adopted the spirit of the Code and has complied with those provisions relevant to charitable companies.

Trustees meet as a full Board at least 4 times a year. In addition, the Chairman holds monthly meetings with representatives of the Trustees and senior executives in order to monitor progress and discuss plans.

Individual Trustees serve on a number of Committees to deal with specific matters on behalf of the Board. These include the Operational Risk Management Committee, Audit Committee, Remuneration Committee and the Nominations Committee.

The Director of the Trust, who reports directly to the Board of Trustees, is responsible for the overall management of the Trust's operations and activities.

In line with the recommendations of the new charities Statement of Recommended Accounting Practice (SORP), the Board has expanded its documentation of the analysis of risks and mitigating controls. The major risks to which the Trust is exposed are reviewed regularly by the Board.

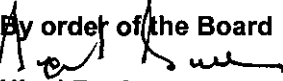
ACCOUNTING AND REPORTING RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Company and charity law require the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period. In preparing those financial statements the Trustees confirm that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent, stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and prepared the financial statements on a going concern basis.

The Trustees are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the charity and enable the Trustees to ensure that the financial statements comply with the Companies Act 1985 and the Charity Commission SORP 2000. They are also responsible for safeguarding the charity's assets and hence for taking reasonable steps for the prevention and detection of fraud and breaches of law and regulations.

AUDITORS

The Trust's auditors have expressed their willingness to continue in office. A proposal to reappoint PricewaterhouseCoopers for the financial year ended 31 March 2003 will be proposed at the Annual General Meeting.


Nigel Buchanan
Secretary
31 July 2002

Registered Office:
12 Plumtree Court
London EC4A 4HT

THE OUTWARD BOUND TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE OUTWARD BOUND TRUST

We have audited the consolidated financial statements which comprise the statement of financial activities, the balance sheets, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The trustees are also the directors of The Outward Bound Trust for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

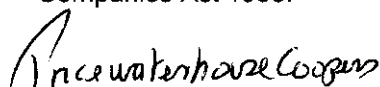
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of affairs of the state of the charitable company and group at 31 March 2002 and of the net income, including its income and expenditure, and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
31 July 2002

THE OUTWARD BOUND TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2002 (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT)

| | Note | Unrestricted Funds | | Endowment and Restricted Funds | Total Funds | Total Funds (restated) |
|---|------|---|--------------------------------|---|----------------|------------------------------|
| | | General, Maintenance & Revaluation Reserve | Designated Bursary Funds | | 2002 | 2001 |
| INCOME AND EXPENDITURE | | £000 | £000 | £000 | £000 | £000 |
| INCOME | | | | | | |
| Income from Outward Bound® | | | | | | |
| charitable activities | 1 | 3,183 | - | - | 3,183 | 2,527 |
| Bursaries | 3a | 761 | - | - | 761 | 654 |
| Donations | 3b | 1,196 | 783 | 54 | 2,033 | 1,996 |
| Activities for generating funds: | | | | | | |
| Income from fundraising events | | 95 | - | - | 95 | 74 |
| Income from adult training operations | 1 | 2,187 | - | - | 2,187 | 1,674 |
| Intangible income | 3c | 102 | 35 | - | 137 | 112 |
| Investment income and interest | | 5 | - | 10 | 15 | 23 |
| Gains on disposals of fixed assets | | - | - | - | - | 19 |
| TOTAL INCOME | | 7,529 | 818 | 64 | 8,411 | 7,079 |
| Less: cost of generating funds: | | | | | | |
| Fundraising activities | 4 | (550) | (144) | - | (694) | (369) |
| Adult training operations | 4 | (1,789) | - | - | (1,789) | (1,346) |
| NET INCOME AVAILABLE FOR CHARITABLE ACTIVITIES | | 5,190 | 674 | 64 | 5,928 | 5,364 |
| CHARITABLE EXPENDITURE | | | | | | |
| Cost of running Outward Bound® | | | | | | |
| charitable activities | 4a | 4,585 | 53 | 43 | 4,681 | 4,091 |
| Bursaries given to beneficiaries | 3a | - | 743 | 18 | 761 | 654 |
| Non-recoverable VAT | | 209 | - | - | 209 | 137 |
| Management and administration | | 250 | - | - | 250 | 276 |
| Interest payable on borrowings | 5 | 70 | - | - | 70 | 112 |
| Loss on disposal of fixed asset | | 1 | - | - | 1 | - |
| TOTAL CHARITABLE EXPENDITURE | | 5,115 | 796 | 61 | 5,972 | 5,270 |
| NET INCOME / (EXPENDITURE) RESOURCES | | 75 | (122) | 3 | (44) | 94 |
| Transfers between funds | 14 | 127 | (22) | (105) | - | - |
| Investment gains / (losses) | | - | 2 | (1) | 1 | (3) |
| NET MOVEMENT IN FUNDS | | 202 | (142) | (103) | (43) | 91 |
| Fund balances at 1 April 2001 | | 1,227 | 604 | 577 | 2,408 | 2,317 |
| FUND BALANCES AT 31 MARCH 2002 | | 1,429 | 462 | 474 | 2,365 | 2,408 |

The notes on pages 11 to 26 form part of these accounts.

All income and expenditure relates to continuing activities. There is no difference between the results for the year shown above and their historical cost equivalent. There are no gains and losses other than those recognised above therefore no separate statement of total recognised gains and losses has been prepared.

During the year to 31st March 2002, income of £100,000 was received in respect of the 2002 Flora London Marathon. This was deferred at the year end and was released to the Statement of Financial Activities on 14th April 2002, the day of the event.


THE OUTWARD BOUND TRUST

BALANCE SHEETS AT 31 MARCH 2002

| | Note | <u>Group</u> | | <u>Charity</u> | |
|---|---------|----------------|----------------|----------------|----------------|
| | | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| <u>FIXED ASSETS</u> | | | | | |
| Tangible assets | 6 | 4,044 | 4,123 | 4,023 | 4,092 |
| Investments | 7 | 119 | 175 | 119 | 175 |
| | | <u>4,163</u> | <u>4,298</u> | <u>4,142</u> | <u>4,267</u> |
| <u>CURRENT ASSETS</u> | | | | | |
| Stocks | 8 | 9 | 11 | - | - |
| Debtors | 9 | 989 | 775 | 809 | 585 |
| Cash at bank and in hand | 2 & 18c | 1,281 | 309 | 1,231 | 263 |
| | | <u>2,279</u> | <u>1,095</u> | <u>2,040</u> | <u>848</u> |
| <u>LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR</u> | | | | | |
| Bank overdraft | 10 | (1,029) | (1,100) | (1,029) | (1,100) |
| Bank loan | | (100) | (100) | (100) | (100) |
| Interest free loans from Trustees | | (165) | (330) | (165) | (330) |
| Other creditors | | (1,730) | (1,302) | (1,460) | (1,020) |
| | | <u>(3,024)</u> | <u>(2,832)</u> | <u>(2,754)</u> | <u>(2,550)</u> |
| <u>NET CURRENT LIABILITIES</u> | | <u>(745)</u> | <u>(1,737)</u> | <u>(714)</u> | <u>(1,702)</u> |
| <u>TOTAL ASSETS LESS CURRENT LIABILITIES</u> | | <u>3,418</u> | <u>2,561</u> | <u>3,428</u> | <u>2,565</u> |
| <u>LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u> | | | | | |
| Convoy loan | 12 | (1,000) | - | (1,000) | - |
| Bank loan | | (53) | (153) | (53) | (153) |
| <u>NET ASSETS</u> | | <u>2,365</u> | <u>2,408</u> | <u>2,375</u> | <u>2,412</u> |
| <u>FUNDS</u> | | | | | |
| <u>Unrestricted:</u> | | | | | |
| General Fund | | (96) | (540) | (86) | (536) |
| Revaluation Reserve | | 1,525 | 1,525 | 1,525 | 1,525 |
| Maintenance Fund | | - | 242 | - | 242 |
| Patron's Company Fund | | 462 | 604 | 462 | 604 |
| | | <u>1,891</u> | <u>1,831</u> | <u>1,901</u> | <u>1,835</u> |
| <u>Endowment and Restricted:</u> | | | | | |
| Endowment Funds | | 85 | 85 | 85 | 85 |
| Boathouse Fund | | 223 | 223 | 223 | 223 |
| Other Restricted Funds | | 166 | 269 | 166 | 269 |
| | | <u>474</u> | <u>577</u> | <u>474</u> | <u>577</u> |
| <u>TOTAL FUNDS</u> | 13 | <u>2,365</u> | <u>2,408</u> | <u>2,375</u> | <u>2,412</u> |

The financial statements on pages 8 to 26 were approved by the Trustees on 31 July 2002 and signed on their behalf by:

Trustee 

Trustee 

THE OUTWARD BOUND TRUST

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

| | Note | 2002 | | 2001 (restated) | |
|--|------|-------|-------|--------------------|-------|
| | | £000 | £000 | £000 | £000 |
| NET CASH INFLOW FROM OPERATIONS | 18a | | 406 | | 182 |
| <u>Returns on investment and servicing of finance</u> | | | | | |
| Interest paid | | (57) | | (112) | |
| Interest paid relating to prior year | | - | | (24) | |
| Interest received | | 4 | | 12 | |
| Investment income received | | 11 | | 11 | |
| | | | (42) | | (113) |
| <u>Capital expenditure and financial investment</u> | | | | | |
| Payments to acquire tangible fixed assets | | (120) | | (96) | |
| Receipts on sale of tangible fixed assets | | 7 | | 29 | |
| Receipts on sale of fixed asset investments | | 57 | | 9 | |
| | | | (56) | | (58) |
| NET CASH INFLOW BEFORE FINANCING ACTIVITIES | | | 308 | | 11 |
| <u>Financing activities</u> | | | | | |
| Convoy loan received | | 1,000 | | - | |
| Loans from Trustees received | | 165 | | 330 | |
| Loans from Trustees repaid | | (330) | | - | |
| Bank loan repaid | | (100) | | (100) | |
| | | | 735 | | 230 |
| NET INCREASE IN CASH | 18b | | 1,043 | | 241 |

The notes on pages 11 to 26 form part of these accounts.

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Accounting and Reporting by Charities Statement of Recommended Practice issued in October 2000 ("SORP"), applicable UK Accounting Standards, with the Companies Act 1985 and with generally accepted accounting practice.

Comparative figures for 2001 have been restated as necessary to reflect the changes resulting from the full adoption of the SORP for this financial year. Such changes are disclosed in the related note to the accounts and have had no effect on the value of net assets.

The financial statements have been prepared under with the historical cost convention as modified by the revaluation of property and investment assets.

The financial statements are prepared on the basis of a going concern - see Note 2.

(b) Group accounts

The financial statements consolidate the results of the charity and its two wholly-owned subsidiary companies on a line by line basis.

The Outward Bound® Associations are branches of the charity. Their income and expenditure, as reported to the Trust's Head Office in their latest accounts, are consolidated into the charity's financial statements.

The Trust has taken advantage of the exemptions permitted under s. 230 of the Companies Act 1985 and paragraph 304 of the Charities SORP 2000 and the charity does not therefore present a separate Statement of Financial Activities.

(c) Funds

The Trust maintains four types of fund:

- (i) endowment: where the capital is held in perpetuity to generate income for bursaries;
- (ii) restricted: where the purposes for which the funds may be used have been restricted by donors;
- (iii) designated: where the funds are unrestricted, but where the Trustees have designated them for a specific purpose;
- (iv) general: where funds are unrestricted and not designated.

(d) Income from Outward Bound® charitable activities

Income from charitable activities is the net invoiced value to customers of Outward Bound® courses taking place during the year. Financial assistance provided by the Trust towards course fees in the form of bursaries are shown separately. These two income lines together represent the total value of courses run in the year.

(e) Income from adult training operations

Income from adult training operations is the invoiced value of courses run for adults over the age of 25, management training programmes, shop and bar income and the hire of the Eskdale centre for conferences and weddings. All such income arises as a result of the activities of the trading subsidiary, Outward Bound Professional Limited.

(f) Other Income

Donations are accounted for by the Trust when received, and may be included in general, designated or restricted funds as appropriate. Receipts from the 2002 Flora London marathon received prior to the 31st March 2002 were deferred and released on the date of the event to the SOFA.

Grants are included in the appropriate fund when received.

Income from fundraising events arises as a result of the activities of the trading subsidiary, Outward Bound Trading Limited.

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

(g) **Deferred income**

Deferred income is the value of courses invoiced to customers before the year end which will be run after the year end and income from the 2002 Flora London Marathon received prior to 31st March 2002.

(h) **Resources expended**

All expenditure is included on an accruals basis and is recognised when there is a legal and constructive obligation to pay for it. Expenditure is directly allocated to activities wherever practicable. Otherwise expenditure is apportioned over activities using appropriate allocations. Management and administration costs consist of an allocation of Directorate costs, professional fees, costs of Trustee and Committee meetings and Trustee expenses. Non-recoverable VAT on charitable expenditure is not included in the costs of each activity as it is not possible to attribute accurately. It is therefore shown separately in the Statement of Financial Activities. Fundraising costs are attributable to income from donations and from fundraising events.

(i) **Fixed assets and depreciation**

All fixed assets are held for charitable operational use, with the exception of some equipment held by Outward Bound Professional Limited which is used for its own trading purposes. Assets over £1,000 are capitalised. Generally assets costing less than £1,000 are written off in the year of purchase.

Freehold properties are held at valuation plus the cost of capital improvements carried out since the date of the last valuation. Generally the Trust's properties are revalued every five years, but may be revalued more frequently when the Trustees consider that significant changes have occurred. The Trust's leasehold property is not valued in the balance sheet, other than capital improvements funded by the Trust, which are shown at cost. The Trust rents the Eskdale centre to Outward Bound Professional Limited at an estimated market rent.

Depreciation of fixed assets is charged on a straight line basis on cost or valuation, less estimated residual value, as follows:-

| | |
|---|--|
| Freehold buildings | - 2% per annum |
| Capital improvements to leasehold buildings | - over the remaining term of the lease |
| Other equipment | - 10 to 33% per annum as appropriate |

(j) **Intangible income**

Intangible income is the estimated valuation of gifts in kind received by the Trust during the year, where it is possible to quantify them and where the Trust would have otherwise had to purchase them.

(k) **Listed investments**

Listed investments are held at market value at the balance sheet date, or the nearest working day prior to the balance sheet date, which, for the current year was 28th March 2002. Realised and unrealised gains or losses are accounted for in the relevant fund.

(l) **Stocks**

Stocks are valued at the lower of cost and net realisable value and are generally used on a first-in-first-out basis.

(m) **Leasing transactions**

Operating lease costs are charged to the income and expenditure account on a straight line basis over the lease term.

(n) **Pensions**

Pension costs included in the financial statements represent the employer's contributions payable during the year to the relevant Pensions Schemes.

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

2. BASIS OF PREPARING THE FINANCIAL STATEMENTS - GOING CONCERN

During the period the group had net expenditure of £43,000 (2001: Net income of £94,000).

The Trust is dependent on the support of Barclays Bank through the overdraft facility to meet day to day working capital requirements. At the 31 March 2002, the overdraft was £1,029,000, which was within the agreed facility of £1,500,000. It bears interest at 1.5% above base rate. The facility is repayable on demand, but in the absence of adverse circumstances the bank does not consider that the facility would not be extended beyond June 2003.

Outside the overdraft facility the Trust held credit balances in separate bank accounts in respect of various unrestricted and restricted funds. Total balances on these accounts at 31 March 2002 were £1,252,000.

In addition to the overdraft facility, the Trust has a Treasury loan from Barclays Bank which bears interest at 1.86% above LIBOR and is repayable in equal monthly instalments over the 5 year period from September 1998. The outstanding balance at 31 March 2002 was £153,000, of which £100,000 is included in current liabilities.

All borrowings from Barclays are secured by a first fixed charge on the Trust's freehold properties and by a floating charge on all other of the Trust's undertakings and assets, with the exception of £1m held in a specified deposit account at Barclays Bank, over which a charge is held by Evans (Holdings) Limited as security over their interest-free loan to the Trust of £1m.

During the year the Trust had support from Trustees in the form of 12-month interest-free loans totalling £495,000. Two of these were repaid on their anniversaries in November and December 2001. The third, which was received in April 2001 was repaid after the year-end on 11th April 2002.

On 23rd May 2002 a 5 year loan for £1m, with capital repayment in full in May 2007, was agreed with Barclays Bank. A company, the Chairman of which is a Trustee of The Outward Bound Trust, has agreed to pay the interest costs of this loan for its full term. The £1m released by this arrangement has been placed on cash deposit with Barclays Bank in order to earn interest income for the Trust. The net result of this loan has been to safeguard the financial future of the Trust for the next 5 years, during which time the Trustees are confident that all underlying debt can be repaid.

The Trustees are therefore satisfied that it is appropriate for the financial statements to be prepared on a going concern basis.

3 INCOME

| | 2002 £000 | 2001 £000 |
|--|--------------|--------------|
| (a) Bursaries are funded as follows: | | |
| from Patron's Company donations | 743 | 605 |
| from restricted funds investment income from prior years | 6 | 11 |
| from restricted funds investment income for the current year | 2 | 4 |
| from other restricted donations | 10 | 34 |
| | <u>761</u> | <u>654</u> |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

| 3 INCOME (continued) | | 2002 | 2001 (restated) |
|----------------------|---|--------------|--------------------|
| | | £000 | £000 |
| (b) | Donations arise from the following sources: | | |
| | Donations for general purposes | 1,196 | 903 |
| | Donations for bursaries | 783 | 834 |
| | Grants for specific projects | 54 | 200 |
| | Legacies | - | 59 |
| | | <u>2,033</u> | <u>1,996</u> |
| (c) | Intangible income is included in the statement of financial activities at the following estimates: | | |
| | Provision of vehicles at discounted leasing rates | 26 | 40 |
| | Outdoor clothing and equipment | 10 | 20 |
| | Computer equipment | 7 | 7 |
| | Catering and gifts for events | 29 | - |
| | Production of Patron's Company recruitment video | 35 | - |
| | Audit fees | - | 20 |
| | Legal fees | 25 | 25 |
| | Printing costs | 5 | - |
| | | <u>137</u> | <u>112</u> |
| | This intangible income has been included in expenditure as follows: | | |
| | Direct charitable operational costs | 43 | 64 |
| | Fundraising | 64 | 3 |
| | Management and administration | 30 | 45 |
| | | <u>137</u> | <u>112</u> |

In addition to the specific gifts identified above, the Trust receives support from local donors who may provide both services and tangible gifts from time to time.

- (d) **Rent receivable from trading subsidiary:**
 Rent of £100,000 (2001: £100,000) is charged by the charity to Outward Bound Professional Limited for the use of the Eskdale centre. This is eliminated in consolidation.

4 RESOURCES EXPENDED

- (a) **Analysis of total resources expended by the group:**

| | <u>Staff</u> <u>costs</u> £000 | <u>Other</u> <u>costs</u> £000 | <u>Dep'n</u> £000 | 2002 <u>Total</u> £000 | 2001 <u>Total</u> (restated) £000 |
|-----------------------------------|--------------------------------------|--------------------------------------|----------------------|------------------------------|--|
| Charitable activities | 2,464 | 2,083 | 134 | 4,681 | 4,091 |
| Cost of adult training operations | 726 | 1,015 | 48 | 1,789 | 1,346 |
| Fundraising | 214 | 471 | 9 | 694 | 369 |
| Management and administration | 156 | 94 | - | 250 | 276 |
| | <u>3,560</u> | <u>3,663</u> | <u>191</u> | <u>7,414</u> | <u>6,082</u> |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

4 RESOURCES EXPENDED (continued)

| (b) Analysis of other costs of running charitable activities: | 2002 £000 | 2001 £000 (restated) |
|---|--------------|----------------------------|
| Catering and housekeeping | 791 | 693 |
| Repairs, maintenance and other property costs | 448 | 344 |
| Course equipment and other course expenses | 214 | 277 |
| Vehicle costs | 130 | 162 |
| Centre support costs | 227 | 160 |
| Sales and marketing | 178 | 161 |
| Other operational costs | 52 | 53 |
| Specific project costs funded from restricted donations | 43 | 126 |
| | <u>2,083</u> | <u>1,976</u> |

| (c) Total resources expended by the charity include the following: | 2002 £000 | 2001 £000 (restated) |
|--|--------------|----------------------------|
| Staff costs | 3,560 | 2,987 |
| Auditors' remuneration | 17 | 20 |
| Depreciation | 191 | 164 |
| Operating leases - equipment hire | 94 | 104 |
| - rent payable | 23 | 25 |
| Staff costs are made up of: | | |
| Wages and salaries | 3,129 | 2,557 |
| National Insurance costs | 220 | 195 |
| Pension costs | 78 | 70 |
| Other staff benefits and costs | 133 | 165 |
| | <u>3,560</u> | <u>2,987</u> |

| | | |
|--|------|--------------------|
| The average number of employees, including part-timers, during the year was: | 2002 | 2001 (restated) |
| | 189 | 171 |

The number of employees of the charity whose emoluments, excluding pension contributions, were in excess of £50,000 per annum fell within the bands shown were:

| | 2002 | 2001 |
|-------------------|------|------|
| £50,000 - £60,000 | 1 | - |
| £60,000 - £70,000 | 1 | 1 |

Pension contributions for the provision of money purchase benefits in respect of these two employees totalled £19,000 in the year. (2001: £13,000 for 1 employee).

The Trustees did not receive any remuneration in the year (2001: £nil).

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

5 INTEREST PAYABLE

| | <u>Group and Charity</u> | |
|----------------------------|--------------------------|------------|
| | 2002 | 2001 |
| | | (restated) |
| | £000 | £000 |
| Interest on bank overdraft | 56 | 88 |
| Interest on bank loan | 14 | 24 |
| | <u>70</u> | <u>112</u> |

For interest calculation purposes only certain cleared credit balances held on account with Barclays Bank are set off against borrowings with them.

6 TANGIBLE FIXED ASSETS

| | <u>Land & buildings</u> | <u>Group Equipment</u> | <u>Total</u> | <u>Land & buildings</u> | <u>Charity Equipment</u> | <u>Total</u> |
|--------------------------|-----------------------------|------------------------|--------------|-----------------------------|--------------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | |
| 1 April 2001 | 3,782 | 1,017 | 4,799 | 3,782 | 904 | 4,686 |
| Additions | 30 | 90 | 120 | 30 | 81 | 111 |
| Disposals | - | (27) | (27) | - | (27) | (27) |
| 31 March 2002 | <u>3,812</u> | <u>1,080</u> | <u>4,892</u> | <u>3,812</u> | <u>958</u> | <u>4,770</u> |
| Depreciation | | | | | | |
| 1 April 2001 | 64 | 612 | 676 | 64 | 530 | 594 |
| Charge for the year | 63 | 128 | 191 | 63 | 109 | 172 |
| Disposals | - | (19) | (19) | - | (19) | (19) |
| 31 March 2002 | <u>127</u> | <u>721</u> | <u>848</u> | <u>127</u> | <u>620</u> | <u>747</u> |
| Net Book Value | | | | | | |
| 31 March 2001 | <u>3,718</u> | <u>405</u> | <u>4,123</u> | <u>3,718</u> | <u>374</u> | <u>4,092</u> |
| 31 March 2002 | <u>3,685</u> | <u>359</u> | <u>4,044</u> | <u>3,685</u> | <u>338</u> | <u>4,023</u> |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

6 TANGIBLE FIXED ASSETS (continued)

All three of the Trust's freehold properties were revalued in the balance sheet on the basis of valuations by Smiths Gore, Chartered Surveyors, at open market value on 31 March 2000.

The Loch Eil centre is leased by the Trust from The Dulverton Trust at an annual rent of £25. The lease commenced in August 1995 and expires in 2020, with an option to extend to 2045 subject to the Landlord not requiring the property for redevelopment. The centre is not valued in the balance sheet other than capital improvements to the buildings which at 31 March 2002 had a net book value of £63,000 (2001: £67,000). These capital improvements have been funded by The Outward Bound Trust, and they are depreciated over the remaining term of the lease.

In the past properties have been sold whose individual historical costs were unknown. It is therefore not possible to identify a historical cost of land and buildings remaining in the balance sheet.

Included in equipment is a small amount of antique furniture held at the centres, valued by professional valuers in January 1999 at £22,000.

All tangible fixed assets are for charitable use, with the exception of equipment of net book value totalling £21,000 (2001: £31,000) which is held by the Trust's trading subsidiary, Outward Bound Professional Limited, for operational use.

7 FIXED ASSET INVESTMENTS

Listed UK Investments at market value:

| | Group and Charity | |
|---------------------------------|-------------------|--------------|
| | 2002 £000 | 2001 £000 |
| Valuation at 1 April | 175 | 127 |
| Disposals | (55) | (9) |
| Additions | - | 60 |
| Decrease in market value | (1) | (3) |
| Valuation at 31 March | <u>119</u> | <u>175</u> |
| Historical cost of investments: | <u>62</u> | <u>122</u> |

Investments consist of 5 holdings which individually range from 9% to 32% of the total portfolio. Holdings are as follows:

| | |
|--|-----|
| M&G Charifund units | 32% |
| Henderson High Income Exempt Trust units | 22% |
| New Zealand 11¼% Stock 2008 | 22% |
| Treasury 12½% Stock 2003 – 2005 | 15% |
| Invesco Extra Income Trust units | 9% |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

7 FIXED ASSET INVESTMENTS (continued)

| | <u>Group and Charity</u> | |
|---|--------------------------|--------------|
| | 2002 £000 | 2001 £000 |
| The market value of investments is split between: | | |
| Equities | 76 | 129 |
| Gilts | 43 | 46 |
| | <u>119</u> | <u>175</u> |

8 STOCKS

| | <u>Group</u> | | <u>Charity</u> | |
|------------------|--------------|--------------|----------------|--------------|
| | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| Goods for resale | 9 | 11 | - | - |
| | <u>9</u> | <u>11</u> | <u>-</u> | <u>-</u> |

9 DEBTORS

| | <u>Group</u> | | <u>Charity</u> | |
|--|--------------|--------------|----------------|--------------|
| | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| Trade debtors | 832 | 682 | 599 | 458 |
| Amounts due from subsidiary undertakings | - | - | 73 | 42 |
| Income tax recoverable | 5 | 4 | 5 | 4 |
| VAT recoverable | 15 | 22 | 15 | 22 |
| Prepayments | 91 | 18 | 72 | 17 |
| Other debtors | 46 | 49 | 45 | 42 |
| | <u>989</u> | <u>775</u> | <u>809</u> | <u>585</u> |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

10 LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | <u>Group</u> | | <u>Charity</u> | |
|------------------------------------|--------------|--------------|----------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £000 | £000 | £000 | £000 |
| Bank overdraft | 1,029 | 1,100 | 1,029 | 1,100 |
| Bank loan (see note 11) | 100 | 100 | 100 | 100 |
| Total bank loans and overdraft | <u>1,129</u> | <u>1,200</u> | <u>1,129</u> | <u>1,200</u> |
| Other short term loans (see below) | 165 | 330 | 165 | 330 |
| Deferred income | 1,003 | 790 | 874 | 592 |
| Trade creditors | 338 | 220 | 295 | 205 |
| Accruals | 244 | 203 | 202 | 158 |
| PAYE, National Insurance and VAT | 132 | 89 | 76 | 65 |
| Bank interest payable | 13 | - | 13 | - |
| Total other creditors | <u>1,730</u> | <u>1,302</u> | <u>1,460</u> | <u>1,020</u> |
| Total | <u>3,024</u> | <u>2,832</u> | <u>2,754</u> | <u>2,550</u> |

The Trust benefited during the year from three unsecured, 12-month interest-free loans of £165,000 each from three of the Trustees. Two of these were repaid on the due dates in November and December 2001. The third was repaid after the year end on 11th April 2002.

11 DEFERRED INCOME

| | <u>Group</u> | | <u>Charity</u> | |
|---|--------------|------------|----------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £000 | £000 | £000 | £000 |
| Balance at 1 April 2001 | 790 | 688 | 592 | 486 |
| Invoiced in the year | 5,445 | 4,451 | 3,465 | 3,139 |
| Income received relating to 2002 marathon | 100 | - | 100 | - |
| Released to statement of financial activities | (5,332) | (4,349) | (3,283) | (3,033) |
| Balance at 31 March 2002 | <u>1,003</u> | <u>790</u> | <u>874</u> | <u>592</u> |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

12 LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | <u>Group and Charity</u> | |
|-------------|--------------------------|--------------|
| | 2002 £000 | 2001 £000 |
| Bank loan | 53 | 153 |
| Convoy loan | 1,000 | - |
| | <u>1,053</u> | <u>153</u> |

The bank loan referred to in Notes 10 and 11 is repayable in monthly instalments over a 5 year period ending in September 2003. Interest is paid monthly on the outstanding balance at a rate of 1.86% above LIBOR. The loan is secured by a first fixed charge on the Trust's freehold properties and debts and on a floating charge on all other of the Trust's undertakings and assets, with the exception of the deposit account referred to below.

On 4th February 2002 Evans (Holdings) Limited made an interest-free loan of £1,000,000 to the Trust through the Convoy benefactors' scheme. The loan is repayable after 5 years, although the lender may opt to give 6 months' notice of an earlier repayment date falling any time after 3 years from the date of the loan agreement. The loan is secured by a charge over a specific interest-earning deposit account with a balance of £1,000,000 held with Barclays Bank. The interest on this account accrues to the Trust, is not subject to the charge and is unrestricted as to its use.

13 FUNDS

(a) Types of Funds:

- (i) The General Fund is an unrestricted fund which is used for all activities of the Trust not otherwise designated or restricted.
- (ii) The Revaluation Reserve arose from the professional revaluations of the Trust's properties which have taken place since 1994. A small amount of antique furniture held at the properties was revalued in January 1999 giving rise to a small unrealised gain.
- (iii) The Patron's Company is an unrestricted, designated bursary fund which holds donations from members of the Patron's Company. The fund provides bursaries for young people to attend Outward Bound® courses who would not otherwise be able to afford them. Other occasional one-off donations for bursaries are received which are also accounted for through the fund.
- (iv) The Boathouse Fund is a restricted fund which holds the value of the grant received from the English Sports Council Lottery Sports Fund in 1999 for the redevelopment of boathouse at Ullswater. The grant may be repayable in full or in part if the Trust disposes of the boathouse within 21 years of the grant being received or uses the boathouse for non-charitable activities within that period.
- (v) The Endowment Fund holds specific legacies and donations which are to be retained in perpetuity in the form of investments to provide income for bursaries.
- (vi) The restricted Bursary Funds receive the investment income from the Endowment Fund investments.
- (vii) The Trust has certain other income from time to time which is subject to restrictions imposed by the donor. Funds are released to General Fund when the restriction ceases to apply.

At 31 March 2002 the remaining balance on the Maintenance Fund, a fund set up by the Trustees to hold allocated funds for major property repairs and improvements, was transferred to the General Fund.

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

13 FUNDS (continued)

(b) Movements in Designated Funds and Revaluation Reserve:

| | <u>Balance</u> | <u>Income</u> | <u>Expenditure,</u> <u>gains, losses</u> <u>and transfers</u> | <u>Balance</u> |
|---------------------------------|----------------|---------------|---|-----------------|
| | <u>1 April</u> | | | <u>31 March</u> |
| | <u>2001</u> | | | <u>2002</u> |
| | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Designated Bursary funds | | | | |
| Patron's Company Fund | 604 | 818 | (960) | 462 |
| Other funds | | | | |
| Maintenance Fund | 242 | - | (242) | - |
| Revaluation Reserve | 1,525 | - | - | 1,525 |
| | <u>2,371</u> | <u>818</u> | <u>(1,202)</u> | <u>1,987</u> |

For details of transfers between funds see Note 14.

(c) Movements in Endowment and Restricted Funds:

| | <u>Balance</u> | <u>Income</u> | <u>Expenditure,</u> <u>gains, losses</u> <u>and transfers</u> | <u>Balance</u> |
|--------------------------|----------------|---------------|---|-----------------|
| | <u>1 April</u> | | | <u>31 March</u> |
| | <u>2001</u> | | | <u>2002</u> |
| | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Endowment Fund | 85 | - | - | 85 |
| Boathouse Fund | 223 | - | - | 223 |
| Restricted Bursary Funds | 93 | 9 | (9) | 93 |
| Other Restricted Funds | 176 | 55 | (158) | 73 |
| | <u>577</u> | <u>64</u> | <u>(167)</u> | <u>474</u> |

Movements in the funds of the parent charity are the same as for the group, less only the profits payable under Deed of Covenant by the two trading subsidiary companies as disclosed in Note 15.

(d) Analysis of net assets held by Funds:

| | <u>General</u> <u>Fund</u> | <u>Reval'n</u> <u>Reserve</u> | <u>Designated</u> <u>Bursary</u> <u>Funds</u> | <u>Endowment</u> <u>& Restricted</u> <u>Funds</u> | <u>Total</u> |
|------------------------------------|-------------------------------|----------------------------------|---|---|--------------|
| | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Tangible fixed assets | 2,296 | 1,525 | - | 223 | 4,044 |
| Investments | - | - | - | 119 | 119 |
| Net current assets / (liabilities) | (1,354) | - | 462 | 132 | (760) |
| Long term liabilities | (1,053) | - | - | - | (1,053) |
| Net assets | <u>(111)</u> | <u>1,525</u> | <u>462</u> | <u>474</u> | <u>2,350</u> |

THE OUTWARD BOUND TRUST

14 TRANSFERS BETWEEN FUNDS

During the year the following transfers have been made to and from the General Fund:

- £39,000 (2001: £44,000) was transferred from the Maintenance Fund in respect of capital improvements and additions funded in the year. A further £69,000 (2001: £14,000) was transferred in respect of additional repairs and maintenance. The remaining balance on the Maintenance Fund of £134,000 was transferred to the General Fund on 31 March 2002 and the Fund closed.
- £22,000 (2001: £58,000) has been transferred from the Patron's Company Fund in respect of excess income received as contributions to costs over the direct costs of running this fund.
- £105,000 was transferred from restricted funds in respect of donations received in previous years relating to events in the current year.

15 RELATED PARTY TRANSACTIONS

Trustees and companies controlled by the Trustees gave cash donations totalling £209,000 during the year (2001: £318,000) and one in-kind donation of £35,000 (2001: Nil).

As shown in Note 10 two Trustees and a connection of a Trustee each made interest-free loans to the Trust for a period of 12 months. The last of these was repaid shortly after the year-end on 11th April 2002.

Several of the Trustees have related party connections with other charities. They have reviewed these connections and those of their close families. No disclosable transactions with The Outward Bound Trust other than those described above arose during the year from such connections.

Three Trustees received expenses totalling £25,596 in respect of travelling expenses (2001: 1 Trustee received expenses totalling £428). The exceptional increase related to unrecoverable expenses incurred by Trustees in respect of the abandoned fundraising trip on 11th September to the USA.

16 SUBSIDIARY UNDERTAKINGS

The Trust has two wholly owned subsidiary companies, both registered in England.

Outward Bound Professional Limited runs corporate management training courses and courses for people over the age of 25 using the Outward Bound® training approach. The company also operates small retail outlets within the Outward Bound® centres selling a small range of merchandise.

Outward Bound Trading Limited organises fundraising events and other activities in support of the Trust's charitable objectives.

A management charge was levied by the parent charity on both subsidiary companies. In respect of Outward Bound Professional Limited the management charge of £525,000 (2001: £460,000) represented an allocation of the costs of running courses and of Head Office support services. In respect of Outward Bound Trading Limited the management charge of £1,000 represented an allocation of Head Office support costs.

A fundraising charge of £53,000 (2001: £32,000) was levied by Outward Bound Trading Limited on the Trust in respect of work performed by the company which resulted in donations being received by the parent charity.

Both companies covenant taxable profits to the parent charity. A summary of their results is shown below. Full financial statements are filed with the Registrar of Companies and are obtainable from the Company Secretary at The Outward Bound Trust's headquarters in London.

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

16 SUBSIDIARY UNDERTAKINGS (continued)

(a) Profit and loss accounts for the year ended 31 March 2002:

| | <u>Outward Bound Professional Limited</u> | | <u>Outward Bound Trading Limited</u> | |
|---|---|--------------|--|--------------|
| | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| Turnover | 2,187 | 1,674 | 180 | 132 |
| Cost of sales and administration costs | (1,889) | (1,455) | (114) | (82) |
| Operating profit for the year | 298 | 219 | 66 | 50 |
| Covenanted to the parent charity | (304) | (216) | (66) | (50) |
| Retained in subsidiary | (6) | 3 | Nil | Nil |
| Average number of employees, including part-timers, during the year: | 13 | 18 | Nil | Nil |

No employees in either company received emoluments in excess of £50,000 (2001: nil).

The Directors received no emoluments or expenses (2001 - Nil).

(b) Summarised balance sheets at 31 March 2002:

| | <u>Outward Bound Professional Limited</u> | | <u>Outward Bound Trading Limited</u> | |
|--|---|--------------|--|--------------|
| | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| Tangible fixed assets | 21 | 31 | - | - |
| Current assets | 274 | 253 | 41 | 36 |
| Current liabilities | (305) | (288) | (41) | (36) |
| Net current liabilities | (31) | (35) | Nil | Nil |
| Net liabilities | (10) | (4) | Nil | Nil |
| Called up share capital and profit and loss account | (10) | (4) | Nil | Nil |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

17 OPERATING LEASES

At 31 March 2002 there were annual commitments under operating leases expiring as follows:

| | <u>Group</u> | | | | <u>Charity</u> | | | |
|-----------------------|-----------------------------|--------------|------------------|--------------|-----------------------------|--------------|------------------|--------------|
| | <u>Land & buildings</u> | | <u>Equipment</u> | | <u>Land & buildings</u> | | <u>Equipment</u> | |
| | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 | 2002 £000 | 2001 £000 |
| Expiring: | | | | | | | | |
| Up to 1 year | - | - | 48 | 53 | - | - | 43 | 48 |
| Between 1 and 2 years | 19 | - | 36 | 35 | 19 | - | 36 | 35 |
| Between 2 and 5 years | - | 19 | 5 | 5 | - | 19 | 2 | 2 |
| More than five years | 23 | 23 | 1 | 1 | 23 | 23 | 1 | 1 |
| | <u>42</u> | <u>42</u> | <u>90</u> | <u>94</u> | <u>42</u> | <u>42</u> | <u>82</u> | <u>86</u> |

18 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

(a) Reconciliation of net income to net cash inflow from operating activities:

| | 2002 £000 | 2001 (restated) £000 |
|--|--------------|----------------------------|
| Net (expenditure) / income | (44) | 94 |
| Realised gain on disposal of investments | 1 | - |
| | <u>(43)</u> | <u>94</u> |
| <u>Adjustments:</u> | | |
| <u>Items not involving the movement of funds:</u> | | |
| Depreciation charge | 191 | 182 |
| Loss / (gains) on disposals of tangible fixed assets | 1 | (19) |
| Donation of investment | - | (60) |
| Gain on disposal of investments | (1) | - |
| Interest payable (separately disclosed) | 70 | 112 |
| Interest receivable (separately disclosed) | (4) | (12) |
| Investment income received separately disclosed | (11) | (11) |
| <u>Changes in working capital:</u> | | |
| Decrease / (increase) in stocks | 2 | (1) |
| (Increase) in debtors | (214) | (202) |
| Increase in creditors, excluding interest payable | 415 | 99 |
| Net cash inflow from operating activities: | <u>406</u> | <u>182</u> |

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

18 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002 (continued)

(b) Reconciliation of net cash flow to movement in net debt:

| | 2002 £000 | 2001 £000 |
|----------------------------------|--------------|--------------|
| Increase in cash in the period | 1,043 | 241 |
| Cash used to repay bank loan | 100 | 100 |
| Cash used to repay Trustee loans | 330 | - |
| Cash received from Convoy loan | (1,000) | - |
| Cash received from Trustee loans | (165) | (330) |
| Change in net debt: | 308 | 11 |

(c) Analysis of the change in net debt:

| | 1 April 2001 £000 | Cash flow £000 | Other non-cash changes £000 | 31 March 2002 £000 |
|--|-------------------------|----------------------|--------------------------------------|--------------------------|
| Net cash: | | | | |
| Cash at bank and in hand | 57 | (3) | - | 54 |
| Cash held on deposit | - | 1,000 | - | 1,000 |
| Cash held locally by Outward Bound® Associations (see note below) | 252 | (25) | - | 227 |
| Bank overdraft | (1,100) | 71 | - | (1,029) |
| | <u>(791)</u> | <u>1,043</u> | <u>-</u> | <u>252</u> |
| Loans due within one year: | | | | |
| Loans from Trustees | (330) | 165 | - | (165) |
| Bank loan | (100) | 100 | (100) | (100) |
| | <u>(430)</u> | <u>265</u> | <u>(100)</u> | <u>(265)</u> |
| Loans due after one year: | | | | |
| Bank loan | (153) | - | 100 | (53) |
| Convoy loan due in February 2007 | - | (1,000) | - | (1,000) |
| | <u>(153)</u> | <u>(1,000)</u> | <u>100</u> | <u>(1,053)</u> |
| Change in net debt: | (1,374) | 308 | - | (1,066) |

Cash held locally by Outward Bound® Associations is not directly available to the Trust headquarters operations and cannot be set off against overdrafts. Association cash balances are raised primarily by local fundraising efforts, and the balances are used by Associations to pay for Outward Bound® courses booked by them on behalf of local participants.

THE OUTWARD BOUND TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

19 PENSIONS

Depending on their contract of employment, employees of the Trust are eligible to contribute to a defined contributions pension scheme run by The Pensions Trust, which specialises in the provision of pensions for people working in the voluntary sector. The Trust contributes a percentage of the salary of each employee who is eligible and chooses to join the scheme. Total employers contributions to the Pensions Trust for the year to 31 March 2002 were £72,000. (2001:£65,000)

Where a new employee is a member of the Teachers' Pension Scheme by virtue of previous employment, they may elect to continue to contribute whilst employed by the Trust. The Trust contributes the percentage of salary laid down in the rules of the Teachers' Pension Scheme for each employee concerned. During the year five employees were members of the Teachers Pension Scheme.

The Teachers Pension Scheme is a defined benefit scheme made available to employees who were formerly employed by Local Education Authorities. This is an unfunded scheme which pays amounts to the Exchequer under arrangements governed by the Superannuation Act 1972. The pension cost is assessed every five years in accordance with the advice of the government actuary using a prospective benefits valuation method. The last valuation of the scheme was reported in March 2000 and related to the period 1 April 1991 to 31 March 1996. The deficiency reported of £3,960 millions was to be eliminated by increasing employer contributions by 0.4% from 1 April 2000 to 31 March 2002 and 1.35% from 1 April 2002 to 31 March 2040. The assets and liabilities of the scheme relating to the employees of the Charity are not separately identifiable and therefore only the contributions are recorded in the financial statements. Total employers contributions to the Teachers Pension Scheme for the year to 31 March 2002 were £6,000. (2001:£5,000)

Prior to 1997 the Trust ran a defined benefits pension scheme. At 31 March 1997 there were only 12 contributing members to the scheme and 26 deferred benefit members who had left the Trust's employ. In view of the small number of members of the scheme, the Trustees decided to initiate action to wind it up and to share the surplus assets amongst the members. Final calculations have been produced by the insurer of each member's benefit and these have been communicated to each member. All members have made their choice of where their benefit is to be transferred. The Scheme's assets were transferred to interest-bearing cash deposits in October 2000. The Official Actuary produced a valuation of the Scheme's assets as at 1 February 2002, which showed a surplus of assets over liabilities of £61,000. In May 2002 the Official Actuary produced final calculations of each member's benefits inclusive of interest and share of the surplus, and these were approved by the Trustee on 17th May 2002. Transfers to members are now being made.