



OUTWARD BOUND
Inspiring Australians

Outward Bound Australia Annual Review Report 2012



Chairman's Report



The 2012 year has been one of transition and change at Outward Bound.

- We farewelled Darren Black in February. Darren was CEO for the past seven years and before that had two years as Business Development Manager. Darren led the organisation extremely well through some challenging years and he will be missed. We wish him well.
- Julie Molloy took a breather from the Board after 14 years last October but continued to actively support OBA over the last 12 months as ex officio member of several Board subcommittees. Julie has again nominated for the Board at the AGM and has our unanimous support.
- Diane Kargas resigned from the Board in December 2011 but continues to actively support OBA philanthropically which she has done for some years through the Greater Good Foundation.
- OBA completed the acquisition of Inter-Action in August 2011. Outward Bound@Inter-Action creates a permanent presence for OBA in the Tweed Valley between Byron Bay and the Gold Coast. This is a great location from which we can serve the Northern NSW and the growing South East Queensland markets. Inter-Action ran courses for 45% of our participants in FY2012, was profitable and results exceeded our targets.
- We had a successful fundraising year. Three new commitments in particular stand out. Coal & Allied pledged its support for Community programs for another three years in the Hunter Valley. The Trust Company committed to support the National Aspiring Leaders Summit for Smith Family participants in the ACT for three years from June 2012. Finally, Chris Cuffe and the Third Link Investment Managers committed \$100,000 annually from July 2012 to enable us to broaden our support to help young people to thrive. We are extremely grateful for these donations and for many others which enable us to provide an Outward Bound experience to many more young Australians.

- We provided OBA programs to 8,400 participants in FY2012 an increase of 40% over the 5,000 participants we averaged over the previous five years. These programs were delivered with an enhanced level of safety and there were no significant medical incidents. These are terrific outcomes. My thanks on behalf of the Board to OBA management and staff for their dedication, hard work and achievements.
- Unfortunately, the bottom line went in the wrong direction last year and we reported a loss of \$228k in FY2012, after five years of profitable operations. This represents a negative outcome equivalent to around 3% of revenue. Our operating costs, particularly salary and related costs have grown significantly over the past two or three years as we have lifted staff conditions to meet reasonable community expectations. Administration and course costs have also risen. We have not passed sufficient of these increases through to participants in recent years.

There is a lot to do to deliver OBA's mission sustainably, safely and effectively to an increased number of participants around Australia. The Board is confident that this can be done.

The Board appointed Benjamin Farinazzo to the role of CEO from January 2012. We believe Ben has the leadership experience and skills to successfully take OBA forward. Ben is 38 and is a resident of Canberra. Ben was CEO of the Australian Business Academy for three years prior to coming to OBA. Prior to that he had experience as a leadership coach and consultant, a security advisor to Corporates in Australia and Indonesia and as an Australian Army officer.

Ben of course is new to Outward Bound; he is therefore well-placed, working with management and staff, to take an independent and objective look at the way things are done at Outward Bound. Over the past six months, Ben has consulted widely and has sought an in-depth understanding of how things have been done in the past and has sought out improvement opportunities. Over this period a start has been made to enhancing and upgrading staff amenities at Tharwa drawing down the \$1.5 million donations of the Vincent Fairfax Family Foundation, Thyne Reid Foundation and John T Reid Foundation. Additional works were also completed on a National Training Centre thanks to the support of the James N Kirby Foundation.

We expect that OBA's financial results will substantially improve in FY2013 and beyond. Increased participant numbers and price increases will considerably strengthen the revenue line which together with much needed operational efficiencies and capital and cost restraint will improve the bottom line and cash flow. These initiatives will take significant effort from all of us; they will however restore OBA's capacity to sustainably deliver "life changing" personal development experiences to more young Australians.

Rod Pearse OAM
Chairman

Chief Executive Officer Report



Outward Bound Australia continues to be a leading national provider of challenging outdoor education experiences to help people to discover, develop and achieve their full potential. In accepting the flaming torch as the new Chief Executive Officer of Outward Bound Australia, I am humbled by the ongoing dedication, commitment and contribution from those in the Outward Bound community. I would like to express my gratitude and appreciation to:

- Rod Pearse OAM, Chairman and the Board for your ongoing commitment and dedication to strong leadership and governance;
- Former Executive Directors and Chief Executive Officers for your advice and support, in particular I would like to salute Darren Black for his tremendous service and contribution;
- The executive and management team and our tremendous team of administrative and logistical support staff, trainers, facilitators and instructors for your passion and professionalism;
- Our Foundation members, alumni, funders and partners for your generosity and contribution to support us in achieving our mission; and
- The thousands of young Australians, families, communities, schools and corporate groups that have experienced the challenge and been inspired by one of our many programs.

Through your efforts and support we continue to build on the strength of our reputation and contribution towards helping positively impact the lives of thousands of people every year.

A period of change and growth

This year has seen Outward Bound move through a period of transition, change and growth as we strengthen and enhance our social impact and contribution to the Australian community.

Our financial performance reflects the investment in future growth of Outward Bound and the strong focus on high-quality, safe programs across the country. This year has seen total income for OBA exceed \$6.0M; unfortunately our profitability as a combined entity over the financial year was not as strong as previous years resulting in a budgeted loss position. The acquisition of Outward Bound@ Inter-Action represents a clear commitment to expand our presence and the national reach of our programs. Subsequently, participant numbers across the country have significantly increased. The acquisition has also produced opportunities for significant synergies.

The issue of operational safety remains paramount and embedded throughout our organisational culture. In the past year, OBA has reached more than 8,000 participants with over 50,000 participant days compared to 38,000 participant days in the previous year. Despite the significant increase in participants, there were no major incidents and there was a reduction in near-miss incidents compared to the previous year. We continue to build on our excellent quality and safety record to maintain our world-class reputation.

A positive development has been the commencement of the enhancement of National Base facilities. This project serves to promote the health and well-being of our staff whilst contributing to our ability to deliver training and programs. The generosity and support of our funding partners is greatly appreciated and has had a resonating impact among our team and clients.

There has been tremendous collaborative support and partnerships throughout the year that have created new and exciting opportunities for Australians to participate in our programs. This collaborative model sees us working together as a catalytic leader with schools, clubs and other likeminded not-for-profit organisations to obtain funding support to have an even greater collective social impact.

It is extremely rewarding to share the positive difference that Outward Bound is making to the lives of thousands of young aspiring Australians, emerging business leaders, families and communities.

Continued...



Chief Executive Officer Report continued

Shaping the future

As we step forward into the future, holding the 'Blue Peter' aloft, following our motto 'to serve, to strive and not to yield' it is important that we continue to ensure that passion meets performance. This involves identifying those areas that will have the most significant contribution towards social impact and matching our financial and resource allocation. In addition, this also means maintaining tight fiscal discipline to meet the expectations of delivering high quality, safe programs.

There are a number of key activities over the FY2013 designed to establish a robust financial platform as a combined entity in order to restore profitability through the operating entity. Key focus areas include the promotion of training and development, corporate offerings and increased

funding to support community programs. In addition, we will continue to build on the strength of existing partnerships and pursue opportunities for increased collaboration.

Finally, I would like to highlight the significant contribution of our highly trained and professional team that serve to 'ignite the spark of inspiration to allow the glow of potential to shine' through empowering communication and facilitation with individuals and groups. I have been constantly inundated with letters of support from schools, corporate groups and participants that have shared their life-changing experiences for over more than half a century. We have a truly wonderful, enthusiastic team of trainers, facilitators and instructors that provide an outstanding contribution to helping change people's lives.

Thank you – Let's keep the fire burning!



Benjamin Farinazzo
Chief Executive Officer



Treasurer's Report



Financial Result

The 2012 financial year has been demanding on the team and financial resources of the Economic Entity. During the year the team completed a number of demanding projects including a Safety Standard Review, Traineeship Review and integration of the Inter-Action business from July 2011. The projects have been important and have strengthened the organisation. However they have come at a cost at the operational level, leading to a deficit from underlying operations for the Economic Entity of \$228k for the year (2011 \$52k surplus).

Consolidation of Inter-Action has been successful as measured by client retention, underlying revenue growth, program delivery and profitability. The integration has required a review of the acquired operations relative to our existing business. This has resulted in change within both the IA business and our existing operations. The integration and overlay of the essential "OBA way" has come at cost as additional resources have been required, although the future benefits will outweigh this cost. The lessons learned have related to the staffing model, course supplies and client relationships including revenue opportunities to name a few. Systems, standards and benchmarking models have been integrated into the acquired business to ensure consistency of delivery under the OB brand.

During the year Outward Bound@Inter-Action delivered almost 20,000 participant days, being above the planned result during negotiation of the acquisition. Traditional OB delivered approximately 34,000 participant days by comparison.

Accounting for the acquisition of Inter-Action, the acquisition costs includes a performance related incentive payment scheduled to be payable over 8 years from September 2013, subject to satisfying the revenue performance targets in the first 2 years following acquisition. The performance target was exceeded in 2012 and we are confident the 2013 target will also be satisfied.

Donations and scholarships

Without the significant generosity of so many we would not be able to extend our reach as far as we currently do. During the year we have been fortunate to have received \$438k (up from \$181k in 2011) from Individuals, Corporates, Trusts and Foundations. These funds have enabled 404 people (up from 251 in 2011) to participate in various courses.

This year has also seen the \$1.5M National Base enhancement get underway after a lot of planning and preparation. While the implementation has been slower than initially planned, and the scale has been reduced to what can be achieved within the available funds, we are pleased with the final plan, work completed to date and the implementation program for completion.

Financial Position

The operating deficit for 2012 for the Economic Entity has reduced the Net Assets to \$730k (from 2011 \$897k). With the new CEO the opportunity to question "how things are done here" is proving both difficult and rewarding as the change to improve our position is implemented. We are focused on changes to improve the financial position.

A handwritten signature in black ink, appearing to read "Phillip A Hains". The signature is stylized and somewhat abstract.

Phillip A Hains
Treasurer and Company Secretary



Statement of Comprehensive Income for the year ended 30 June 2012

	Note	Economic Entity		OBA	
		2012 \$	2011 \$	2012 \$	2011 \$
Revenue from Operating Activities	2a	6,197,216	4,942,975	6,043,286	4,890,738
Administration Expenses	3a	(575,794)	(343,306)	(573,441)	(338,120)
Course Costs	3a	(833,621)	(549,565)	(833,621)	(547,959)
Depreciation	3a	(371,999)	(306,709)	(371,999)	(306,709)
Staff Expenses	3a	(4,192,463)	(3,404,728)	(4,109,536)	(3,287,973)
Vehicle Expenses	3a	(194,913)	(133,061)	(194,913)	(133,061)
Other Expenses	3a	(240,450)	(261,392)	(240,450)	(261,392)
Surplus from Underlying Operating Activities		(212,024)	(55,786)	(280,674)	15,524
Business acquisition costs	3b	-	(37,950)	-	(37,950)
Write off of intercompany loan	3c	-	-	-	(290,472)
		-	(37,950)	-	(328,422)
Surplus from Operating Activities		(212,024)	(93,736)	(280,674)	(312,898)
Revenue from Non-Operating Activities					
Building Fund Disbursements and tied interest	2b	108,718	207,118	108,718	207,118
Tied Unearned Income (Interest)	2b	(63,389)	(56,986)	(63,389)	(56,986)
Surplus from Non-Operating Activities		45,329	150,132	45,329	150,132
Surplus Before Income Tax		(166,695)	56,396	(235,345)	(162,766)
Income Tax Expense	1i	-	-	-	-
Surplus for the Year		(166,695)	56,396	(235,345)	(162,766)
Transfer (to) Reserves		(61,738)	(4,258)	-	-
Total Comprehensive Income for the Year		(228,433)	52,138	(235,345)	(162,766)

* These statements have been extracted from the audited statutory

Statement of Financial Position as at 30 June 2012

		Economic Entity		OBA	
	Note	2012 \$	2011 \$	2012 \$	2011 \$
ASSETS					
Cash and Cash Equivalents	5	2,104,947	1,776,524	1,789,717	1,445,019
Trade and Other Receivables	6	314,423	233,869	227,248	233,869
Inventories	9	21,842	27,827	21,842	27,827
Other	10	3,820	9,652	3,820	9,652
Total Current Assets		2,445,032	2,047,872	2,042,627	1,716,367
Non-Current Assets					
Other Financial Assets	7	-	-	1	1
Property, Plant and Equipment	12	1,900,430	1,784,565	1,900,430	1,784,565
Goodwill	8	452,613	-	452,613	-
Total Non-Current Assets		2,353,043	1,784,565	2,353,044	1,784,566
TOTAL ASSETS		4,798,075	3,832,437	4,395,671	3,500,933
LIABILITIES					
Current Liabilities					
Trade and Other Payables	13	347,960	255,437	345,912	253,200
Other financial liabilities	14,18	1,587,789	1,566,519	1,531,316	1,512,485
Provisions	15	129,460	153,241	129,460	153,241
Borrowings	16,18	51,699	37,366	51,699	37,366
Fees in Advance	17	1,362,051	683,635	1,362,051	683,635
Total Current Liabilities		3,478,959	2,696,198	3,420,438	2,639,927
Non-Current Liabilities					
Other Financial Liabilities	14,18	42,574	80,621	42,574	80,621
Borrowings	16,18	461,015	158,437	461,015	158,437
Other	19	85,041	-	85,041	-
Total Non-Current Liabilities		588,630	239,058	588,630	239,058
TOTAL LIABILITIES		4,067,589	2,935,256	4,009,068	2,878,985
NET ASSETS		730,486	897,181	386,603	621,948
EQUITY					
Reserves		297,920	236,182	-	-
Accumulated Surplus		432,566	660,999	386,603	621,948
TOTAL EQUITY		730,486	897,181	386,603	621,948

* These statements have been extracted from the audited statutory accounts

Thank you!

The support and financial contribution of our Donors, Program Partners, Sponsors and Members is very much appreciated. Outward Bound Australia would like to express our sincere thanks for your continued commitment to helping people discover, develop and achieve their potential.

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