

Trustees' Report *continued*

Financial Review

The 2005 comparative figures in the Statement of Financial Activities set out on page 16 reflect activity over a fifteen month period from 1 October 2004 to 31 December 2005 following the change in WAGGGS' financial year end from 30 September to 31 December in 2005. New Goals were selected at the 32nd World Conference in 2005 in support of the Strategic direction for the 2006 to 2008 Triennium. These goals differ from those of the previous Triennium and as reported in the financial statements for the fifteen months to 31 December 2005.

Where did our total income come from?

Income from all sources in 2006 amounted to £5,055K which is broadly in line an adjusted 12 month equivalent income £5,019K (assuming that income was spread evenly over the fifteen month period) for 2005. (2005: fifteen months £6,274K). However, in 2005, there were two income streams; World Conference income of £194K and donations of £150k to the Tsunami Relief Fund which were not repeated in 2006 due to the nature of the events. After excluding this income there has been an approximate increase of 6% (£0.3m) compared to 2005. On a like for like basis, the World Centres generated an increase of approximately 16%, World Thinking Day was up by 15% and donations were at the same level as 2005.

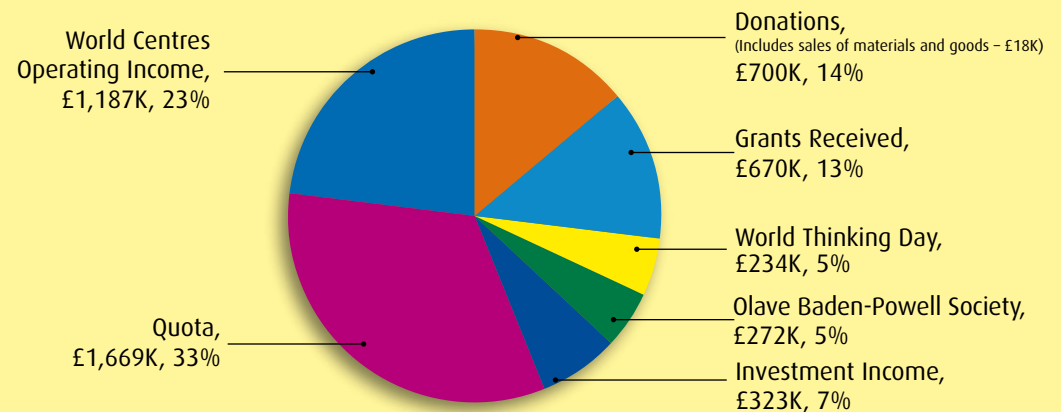
How the money was used to support WAGGGS' Goals

Expenditure on all activities was £4,910K (2005: £5,937K), 3% higher than in 2005, (based on an adjusted 12 month equivalent expenditure assuming that expenses were spread evenly over the fifteen month period).

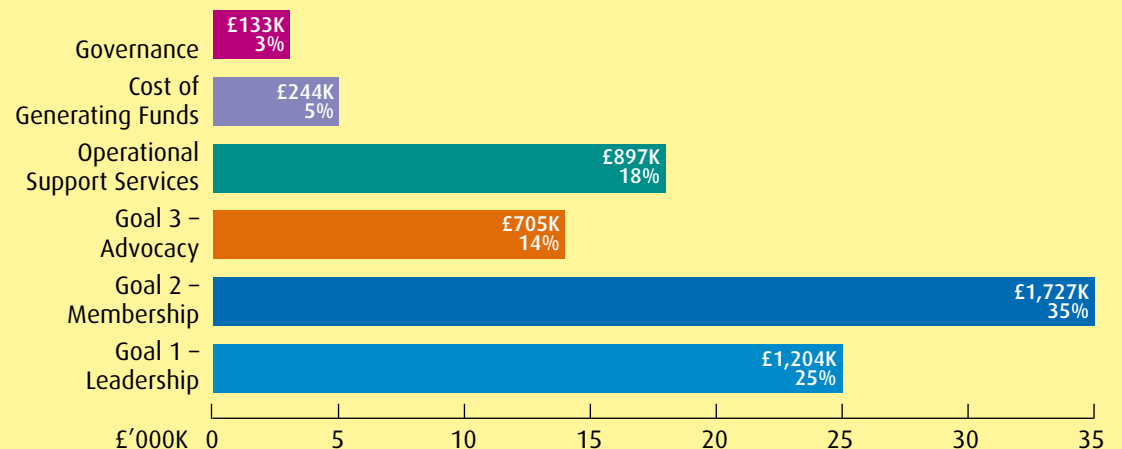
During the year 74% (£3,636K) of the expenditure was in direct support of WAGGGS' three strategic goals with a further £897K (18%) expenditure on operational support for these activities.

There was a surplus of income over expenditure of £316K (2005:£79K) in unrestricted income and an excess of restricted expenditure of £232K (2005: surplus of £117K). The overall surplus for the year amounted to £145K (2005:£337K).

WAGGGS' income from all sources amounted to £5.1 million and came from:



£4.9 million was spent on the following activities:



After taking into consideration the gains and losses on investments and exchange rate movements of £621K (2005: £910K) there has been an increase in total funds of £621K compared to an increase of £1,247K in 2005.

Profits from the sale of investments amounted to £143K (2005: £119K). As at 31 December 2006 there was an unrealised gain of £483K on the value of WAGGGS' Investment portfolio (2005: £723K). This is the amount that WAGGGS would have realised had the entire investment portfolio been sold on 31 December 2006. This value will fluctuate depending on the performance of the investments and the economic conditions affecting the UK Stock Market at a particular point in time. The losses on the revaluation and exchange movements on the translation of assets at the World Centres into pounds sterling were £150K compared with a gain of £68K in 2005.

Fundraising Activities

2006 was a transition year for fundraising in WAGGGS which has increased our focus and established the groundwork towards funding from trusts, foundations and potential corporate partners for the future. The increase in World Thinking Day income by approximately 15% was largely due to the number of people using the new World Thinking Day website resources to support their fundraising activity. We will build upon this success to further increase the resources available on the website in 2007. Individual giving remains a strength through the efforts of the Olave Baden-Powell Society, which reaches major donors through its international fellowship of supporters, and more than 30 Friends Groups whose personal connections attracted a wide range of gifts from thousands of donors to support the work of our World Centres, the Regions, and WAGGGS. In 2006 we expanded our efforts to enhance the success of these groups by providing greater communication, increased support, and database management resources available from WAGGGS.

Olave Baden-Powell Society

52 new members joined the Society during the year bringing the total membership to 792. In total £272K was raised during the year of which £122K was allocated to the General fund and £150K to the Endowment Fund. As part of the Society's new fundraising opportunities which were launched in 2006, members have supported the Health and Welfare of the Child Project being run by the Pakistan Girl Guides Association raising in excess of £15K for the project. At the Annual Event in India in September, HRH Princess Benedikte of Denmark presented the first three Princess Benedikte Awards, a new initiative which recognizes those individuals who have donated in excess of £25,000 to WAGGGS.

Reserves

WAGGGS aims to retain sufficient free reserves to ensure that contractual commitments to staff, for premises and programme work can be made with reasonable confidence. The appropriateness of the Reserves policy is reviewed each Triennium in conjunction with WAGGGS' Strategic Plan and the degree of risk associated with each of WAGGGS' target income sources and the level of the Endowment Fund. For the 2006 to 2008 Triennium, the World Board has concluded that the overall level of WAGGGS' unrestricted free reserves should be maintained at a level of three to six months of annual unrestricted expenditure. The continued appropriateness of the policy is reviewed annually by the Finance Committee throughout each triennium.

Free reserves available for use by WAGGGS are those that are readily realisable, less funds whose use are restricted or have been designated for particular purposes.

As at 31 December 2006 WAGGGS' free reserves amounted to £2,448K (2005: £2,324K) represented by Investments and Net Current Assets (see Note 13). This is approximately 54% of the total anticipated expenditure in 2007. Although this is slightly higher than the policy, it is anticipated the level of reserves will be lowered, in line with the policy, over 2007 to 2008 after taking into consideration the future activities planned to enable WAGGGS to deliver its Strategic Goals in the 2006-2008 Triennium.

Trustees' Report *continued*

Financial Review

Designated Funds

These reserves are shown in note 13 on page 32 and are allocated against specific activities scheduled to take place over a period of time and are expected to be used within the next two years. In 2006 funds have been set aside to carry out major upgrading of facilities at Our Chalet during 2007 as well as funding towards the 33rd World Conference to be held in South Africa in 2008.

Investment Policies and Performance

WAGGGS' Constitution enables the World Board to invest any funds which are not immediately required for its purposes in such investments as may be thought fit, subject to any conditions and consents as may be required by law. The World Board has set a clear ethical investment policy which is driven by WAGGGS' principles. This policy is reviewed annually and is consistent with Trustees' responsibilities under the Charities Act. Our Investment Managers, Merrill Lynch Portfolio Managers, are instructed to take all reasonable measures to avoid investing in companies where it is possible to determine that a material proportion of their revenues are derived from the following activities: tobacco, alcohol, illicit drugs, gambling, armaments or war producing items. In addition, our investment managers are aware that WAGGGS wishes to avoid investment in regions or companies that have material dealings that breach human rights, particularly those of women and girls.

In setting the performance criteria against which the performance of the investment portfolio is managed, consideration is given to achieving capital growth for WAGGGS' Endowment Fund and the need to provide up to 5% of WAGGGS' total income requirements in the year. The actual allocation of assets is reviewed each year taking into account advice from the Investment Manager and the degree of risk considered appropriate for WAGGGS' investments. The current asset allocation has been set as equities 50%, fixed income/cash instruments 40%, and property/cash 10%.

The performance of the portfolio is measured against the following criteria:

- Fixed income return is measured against the FTA Government Under 15 Years Index;
- Equity return is measured against the FTSE All - Share Index;
- The total portfolio's return is measured against the indexed returns of the underlying asset classes weighted by the asset allocation percentages established by the Finance Committee;
- The current performance target is set at 100 basis points above the Indices over a five-year period.

The portfolio rose by 13.75% on a total return basis compared to the benchmark rise of 7.21% during the period. The UK portion of the fund rose 21.51% compared to the FTSE All Share index rise of 16.76% over the period and also benefited from its exposure towards the property market which once again had a very strong year. With the exception of 2003, the portfolio has outperformed the composite benchmark over the past five years. Cumulatively the total return has been 39% against the benchmark of 25%.

As at 31 December 2006 there was an unrealised gain on the portfolio of £483K (2005: £723K).

Auditor

The Trustees, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Charities Act 1993. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.