

# Trustees Report continued

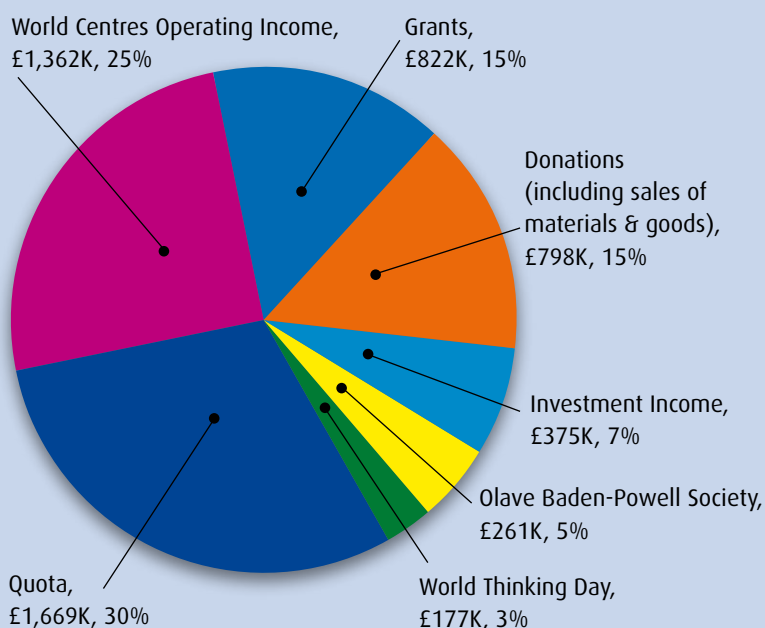
## Financial Review

### Where did our total income come from?

There was an increase of 8% (£409K) in the total income of £5,464K from all sources in 2007 compared with £5,055K in 2006. Although total voluntary income is marginally higher than 2006, general donations were significantly lower than 2006.

World Thinking Day income was particularly disappointing at £177k (2006: £234K) but donations received by the World Centres increased by 75% from £246K in 2006 to £431K in 2007. Investment income grew by 16% (£52K) over 2006. Increased activity at the four World Centres generated additional income of £175K (15%). Grants for specific projects including the second phase of the UPS Global Signature Programme increased by £152K. As approved at the 32nd World Conference the total membership fees (quota) collectable for the year remained the same as that of 2006 and 2005 therefore reducing the overall reliance on quota to 30% of total income.

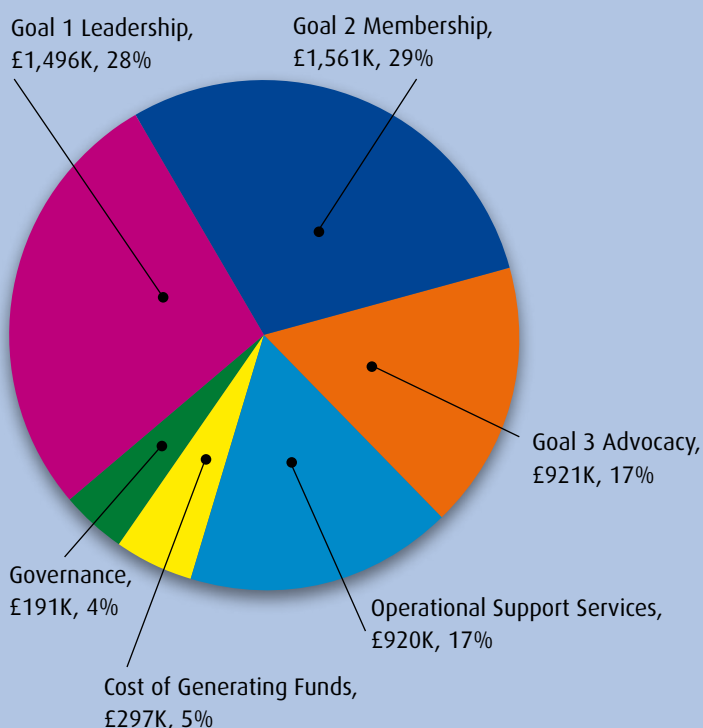
### WAGGGS' income from all sources amounted to £5.5 million and came from:



### How the money was used to support WAGGGS' Goals:

Expenditure on all activities was £5,386K (2006: £4,910K), 10% higher than in 2006. The proportion of the total expenditure in direct support of WAGGGS' three strategic goals remained at 74% with a further 17% being spent on operational support for these activities. Direct support amounted to £3,978K (2006: £3,636K) with operational support amounting to £920K (2006: £897K).

### £5.4 million was spent on the following activities:





There was a deficit of income over expenditure of £187K (2006: surplus of £316K) in unrestricted income, a surplus of £189K in restricted income (2006: deficit of £232K) and £76K to the Endowment Fund (2006: £61K). The overall surplus for the year amounted to £78K (2006: £145K).

After taking into consideration the gains and losses on investments and exchange rate movements of £104K (2006: £476K) there has been an increase in total funds of £182K compared to an increase of £621K in 2006.

As at 31 December 2007 there was an unrealized gain of £77K on the value of WAGGGS' Investment portfolio (2006: £483K). This is the amount that WAGGGS would have realized had the entire investment portfolio been sold on 31 December 2007. 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. During the year a small loss of £12K was incurred on the sale of investments (2006: profit of £143K). The revaluation and exchange movements on the translation of assets at the World Centres into pounds sterling were £39K compared with losses of £150K in 2006.

## Fundraising Activities

Generating unrestricted voluntary contributions to support WAGGGS continues to be a challenge with income for 2007 falling well below expectations. In part this has been due to the strength of Sterling against the currencies of those countries which continue to be significant supporters of World Thinking Day. Changes in the Fund Development department have meant there have been resources available for fundraising activities for only half the year. Consultants have been engaged to work with us to develop a compelling case for support and to identify required resources for the future. Task groups on individual giving and major donor strategy have been hard at work and more than 30 Friends groups around the world continue to generate significant voluntary support for the World Centres.

## Olave Baden-Powell Society

The Olave Baden-Powell Society continues to be a very significant supporter of WAGGGS through its individual members. With 48 new members in 2007, OB-PS members donated £153K to the endowment fund, £108K to the operating fund, and £70K for specific projects, including the Juliette Low Seminar. The Princess Benedikte Award, which recognizes donors who have made cumulative gifts of £25,000 or more to WAGGGS, was presented to six generous supporters in 2007 making the total awardees to date to nine. Details of the awardees can be seen on page 33.

## 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 2006-2008 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 realizable, less funds whose use are restricted or have been designated for particular purposes.

As at 31 December 2007 WAGGGS' free reserves amounted to £2,232K (2006: £2,448K) represented by Investments and Net Current Assets (see Note 14). This is approximately 49% of the total anticipated expenditure in 2008.

## Designated Funds

These reserves are shown in note 13 on page 31 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. Although funds were set aside in 2006 to carry out major upgrading of facilities at Our Chalet which took place in 2007 a significant part of this expenditure was funded by the Our Chalet Foundation. Funds were used in support of the five Regional Conferences during the year. Further funds have been set aside towards the 33<sup>rd</sup> World Conference to be held in South Africa in 2008.

# Trustees Report continued

## 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 6.55% on a total return basis compared to the benchmark rise of 5.70% during the period. The US subprime mortgage crisis, the recognition of slowing GDP growth, the threat of inflation from food and energy price rises and the weakening US dollar, supporting higher commodity prices have all contributed to 2007 being one of the more unsettled years for investors as market volatility reached extremes, particularly in the second half of the year. Over the past five years the cumulative the total return on the portfolio has been 70% against the benchmark of 53%.

As at 31 December 2007 there was an unrealized gain on the portfolio of £77K (2006: £483K).

## The Future

Our key objectives for 2008, which support the overall achievement of the three Goals as part of WAGGGS' Strategic Plan for the 2006-2008 triennium, are set out on page 15.

Our priorities for the 2006-2008 triennium were set at the 32<sup>nd</sup> World Conference in 2005. As part of this overall strategy our prime objectives for 2008 are shown below.

- Implement a revised fundraising strategy to create a sound income stream to support the work of the 2009-2011 triennium.
- Hold the 33<sup>rd</sup> World Conference in South Africa enabling Member Organizations to agree the strategic direction for the next triennium 2009-2011.
- Build and strengthen relationships with corporate partners and other NGOs.
- Build upon the monitoring and evaluation work to assess the impact of WAGGGS' strategy.