



Water and Sanitation for the Urban Poor

Report and Financial Statements

for the year ended

31 March 2011

Company number 05419428

(a company limited by guarantee and not having a share capital)

WATER AND SANITATION FOR THE URBAN POOR

REFERENCE AND ADMINISTRATIVE DETAILS

For the year ended 31 March 2011

Constitution A not-for-profit company registered in England and limited by guarantee.

Company Number 05419428 Incorporated 9 April 2005

Governing Document Memorandum and Articles of Association

Registered Office 2-6 Cannon Street, London, EC4M 6YH

Operational Address Capital Tower, 91 Waterloo Road, London, SE1 8RT
website: www.wsup.com phone: 020 3170 0935

Directors Directors who served during the year and up to the date of this report were as follows:

Chair	William Day	Independent	
	Rebecca Marmot	Unilever	(appointed 28 October 2010)
	Girish Menon	WaterAid	
	Edward Mitchell	Independent	
	Simon Parsons	Cranfield	
	Mark Salway	CARE	
	David Scott	Independent	
	David Tickner	WWF	
	David Walton	Borealis & Borouge	
	John Martin	Halcrow	(resigned 28 July 2011)
	Paulus Verschuren	Unilever	(resigned 28 October 2010)

Company Secretary Fiona Shaw

Principal Staff Sam Parker, Chief Executive

Bankers Barclays Bank PLC
50 Pall Mall, London, SW1A 1QA

Solicitors Bates Wells & Braithwaite London LLP
2-6 Cannon Street, London, EC4M 6YH

Auditors Sayer Vincent
Chartered accountants and statutory auditors
8 Angel Gate, City Road, London, EC1V 2SJ

WATER AND SANITATION FOR THE URBAN POOR

REPORT OF THE DIRECTORS **For the year ended 31 March 2011**

The Directors present their report and the audited financial statements for the year ended 31 March 2011.

The reference and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice (SORP) - Accounting and Reporting by Charities. Although the company is not a registered charity, the Directors consider that reporting in the format of the charity accounts SORP presents the most appropriate view of the group's affairs.

OBJECTIVES AND ACTIVITIES

WSUP was created to pioneer new ways of addressing one of the world's most pressing challenges which is to provide water and sanitation services to the growing numbers of urban poor in the developing world. The number of the world's urban population without access to safe and affordable drinking water is expected to increase from 137 million (2006) to 296 million (2015). The number without access to improved sanitation is expected to increase from 661 million (2006) to 898 million (2015). The majority of these people will be living in slums and peri-urban settlements in the developing world. This will intensify as economic pressures and the effects of climate change accelerate the migration of people to towns and cities in the developing world.

It is evident from history that single sector approaches are not improving conditions fast enough for the poor. Efforts by NGOs, governments and private sector working on their own have proved to be inadequate. As improving services in slums and informal settlements requires social, technical, financial and political inputs, WSUP achieves this through multi-sector, stakeholder partnerships supporting local service providers (LSPs) to deliver environmentally sustainable, equitable and affordable water and sanitation services to all citizens in a city.

The company's objects are:

- to relieve poverty and suffering in any part of the world through the improvement of water supplies and sanitation by researching, developing, scoping, delivering and/or monitoring sustainable and replicable water, sanitation and hygiene projects and programmes, in partnership with other organisations, that focus on achieving full service coverage for cities and mid-sized towns in the developing world with a particular focus on water and sanitation service provision at a level appropriate to the circumstances in low income areas;
- to advance education in relation to health and hygiene matters in the water and sanitation sector; and
- to do all other such benevolent things incidental or conducive to the provision of water and sanitation services and the above objects.

WSUP is an innovative partnership that harnesses the expertise and sector leading knowledge of the private sector, civil society and academia to work as a professional partner to LSPs in the delivery of service improvement programmes. Integrated programmes have a package of support which is unrivalled in the sector combining the capacity building of all stakeholders and the development of linkages between LSPs and low income communities to deliver improved services on a sustainable basis.

In order to distinguish its service offering from that of NGOs, both in the minds of local partners and of donors, WSUP operates as a not-for profit group. This provides a vehicle into which companies can easily become members and which can qualify for a wide range of funding mechanisms - including those usually earmarked for NGOs and those traditionally earmarked for private companies.

Programmes in selected countries are co-ordinated and monitored by WSUP's staff and Directors. Project development first assesses the local needs and evaluates service improvement options. WSUP then empowers service providers to demonstrate effective models in order to mobilise investments for further improvements. WSUP promotes successful approaches at both national and international levels.

LSPs include: for water - utilities and small scale private suppliers; for sanitation - municipalities and small scale businesses that supply sanitation products and services; for hygiene – municipalities and Ministries of Health; for environment - Ministries of Environment and utilities.

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REPORT OF THE DIRECTORS For the year ended 31 March 2011

The overall impact of WSUP's work is the reduction of poverty and the improvement of health and living standards for the urban poor. WSUP believes that access to safe, affordable water, improved sanitation and improved hygiene practices underpin poverty reduction through impacts on health, education and livelihoods and improving access to these fundamentals of life are a critical step towards reducing poverty. As such, WSUP's work directly contributes to the attainment of MDG goals 1, 2, 3, 4, 5 and 7.

STRUCTURE, GOVERNANCE & MANAGEMENT

Constitution

The company is established as a not-for-profit company limited by guarantee. The Memorandum of Association prohibits distribution of funds to the Members, other than for pre-approved direct inputs into its activities.

Members of the company each guarantee to contribute an amount not exceeding £1 to the assets of the group in the event of winding up. The total number of such guarantees at 31 March 2011 was 7. The Directors have no beneficial interest in the company. New Members are approved by the Directors and will be admitted so as to maintain a balance between the Not-for-Profit and Private Sector Member categories.

At 31 March 2011 the Members were:

Borealis & Borouge	(Borealis AG, registered in Austria FN 269858a and Borouge Pte Ltd, registered in Singapore 199801755H)
CARE International UK	(charity registration number 292506)
Cranfield University	(a charity incorporated by Royal Charter)
Halcrow Group Ltd	(group number 3415971)
Unilever Plc	(company number 29140)
WaterAid	(charity registration number 288701)
WWF-World Wide Fund for Nature	(a foundation established under the Swiss Civil code)

Method of Appointment of Directors

Each Member organisation appoints one of its employees to be a Director of the company. In addition, the Directors have appointed a Chair who is independent of the Members and they may also appoint other independent Directors to bring specific skills to the Board. Induction and training of Directors is provided as required.

Organisational Structure and Decision Making

The Directors meet four times each year to decide on strategic direction, key policies and legal requirements. At each meeting, every Director makes a declaration of conflicts of interest arising with any item on that meeting's agenda or WSUP's affairs in general.

Day to day management is delegated to the Chief Executive and other staff.

The Board delegates the oversight of financial and audit matters to the Finance and Audit Committee who meet prior to each Board meeting. A report from the Committee is a standing agenda item at the Board meetings.

Risk Management

The Directors have considered the major risks to which WSUP is exposed and confirm that systems and controls have been established to manage those risks.

Branch Offices

Branch offices are registered in Kenya and Madagascar. These operate under the management control of WSUP and their financial records are fully incorporated into WSUP's accounts.

Staff in other countries are employed through hosting agreements either with a WSUP Member's local office or through other local partner organisations. Hosting agreements are reviewed annually when budgets are agreed.

WATER AND SANITATION FOR THE URBAN POOR

REPORT OF THE DIRECTORS

For the year ended 31 March 2011

RELATED PARTIES - RELATIONSHIPS WITH OTHER ORGANISATIONS

Members

Each Member agrees to contribute a specific amount of funding annually to the company made up of cash and/or in-kind contributions.

Member organisations may contribute towards the implementation of programmes and are reimbursed at not-for-profit rates for pre-approved staff time and expenses spent on WSUP's affairs. Some of these costs are donated by the Members as contributions in-kind and these are shown both as income and expenditure in the accounts.

The value of the financial transactions with Members is detailed in note 14 to the accounts.

WSUP India

WSUP operates in India through a subsidiary company WSUP India. During the year it made a deficit of £5,516 funded by surpluses from prior years. Further details are included in note 9 to the accounts.

The Statement of Financial Activities reflects group income and expenditure for 2009-10 and 2010-11.

Funders

WSUP liaises with and reports regularly to funders on progress against plans.

ACHIEVEMENTS AND PERFORMANCE

Over the past year WSUP has continued to accelerate its rate of service delivery to the urban poor: globally, WSUP has to date improved water supply for 360,000 people (234,000 people this year, compared with 101,000 last year), provided safe sanitation for 59,000 people (29,000 people this year, up on last year's 27,000), and given hygiene education to 543,000 people (416,000 people this year, 7 times more than last year). These figures reflect continued progress towards at-scale improvement in the 9 cities in which WSUP is active as at March 2011. However, in line with the process of analysis and restructuring outlined overleaf, WSUP is moving away from a simple focus on numbers, and putting increasing emphasis on capacity development, institutional strengthening and development of financially sustainable models for at-scale water and sanitation service delivery: i.e. the wider goal of self-sustaining long-term change.

In relation to this wider goal, example achievements over the past year are as follows:

Mozambique: A major WSUP-supported study is underway to assist to the asset holder FIPAG in developing a pro-poor water connections strategy; this ties in closely with a community-level programme to support low-income householders to overcome the administrative and affordability barriers of accessing a household connection. The Maputo experience with design and management of communal toilets also continues to be very positive.

Madagascar: WSUP continues to support the water utility JIRAMA with non-revenue water reduction and business planning. JIRAMA is increasingly committed to self-sustaining improvement of services to low-income districts and WSUP's relationship with this utility is a powerful example of the view that strengthening water utilities will enable them to improve services to the poor.

Kenya: WSUP has supported Nairobi Water to implement a highly innovative sewerage project serving low-income districts of Nairobi; this follows a WSUP-supported visit by Nairobi Water managers to see low-cost sewerage working in Brazil. WSUP also continues to be active in Naivasha, where support of a small-scale water network operator has been very successful both on the ground and in terms of generating useful learning.

Zambia, Ghana and Mali: These programmes are at a comparatively earlier stage of development, but are already achieving very positive results. Highlights over the last year include extensive capacity development inputs to the Peri-Urban Department of Lusaka Water, and support to Ghanaian water utilities in financial analysis of pro-poor service delivery models.

Bangladesh: Dhaka is at present WSUP's only active Asian involvement: but commitment remains very strong, and key achievements in the year to date have included roll-out of a major hygiene education campaign in collaboration with local institutions, and ongoing support with sanitation planning for a city district of over 1 million people.

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For the year ended 31 March 2011

Innovation: The flagship Uniloo project, in collaboration with Unilever, is generating very substantial interest worldwide. Uniloo is a sanitation service model in which householders rent a portable toilet; the rental fee includes a regular emptying service run by a local franchisee. As at March 2011, we are about to begin pilot studies of the community acceptance and financial viability of this exciting model, in Kumasi (Ghana).

Lessons and learning: In November 2010, WSUP convened its annual programme workshop in Maputo to promote learning within the organisation and between programme partners and stakeholders. The focus this year was on urban sanitation and centrally on two key questions: “who should take responsibility for sanitation?”, and “how should sanitation be financed?” One outcome from this workshop was a document entitled “Urban sanitation: finding the funding” which was widely disseminated to the sector.

A major development over the past year has been the start of a publications programme. This year, WSUP has produced and disseminated 4 Practice Notes and 2 Topic Briefs, all downloadable from www.wsup.com. This publication process will remain a key goal over coming years, as part of a wider strategy of research, knowledge sharing and influence.

WSUP continues to enjoy the powerful benefits of its membership structure, comprising three private companies, three NGOs, and a university. As WSUP undergoes restructuring in order to adapt to its evolving aims and a changing world, this unique membership structure will remain as a solid and stabilising foundation.

The Directors are very pleased to see the significant difference that WSUP is making in the project areas and would like to thank all of WSUP's staff in the UK and in the country offices for their dedication and hard work during the year.

FINANCIAL REVIEW

There was a surplus of income over expenditure of £536,166, primarily as a result of receiving advance payments in restricted funds, with a surplus balance of £65,824 in unrestricted funds.

In addition to this, an unrealised exchange loss of £112,891 was made on bank balances held in US dollars received from the Bill & Melinda Gates Foundation. This reflects currency movements between the date the funds were received by WSUP and the revaluation of the balance at the year end and reduces the unrealised gains made in prior years. Under the terms of the grant agreement, these net gains must be applied to the related project activities as they are effectively additional restricted grant income.

Income is received from two main sources: restricted grants from institutional funders and unrestricted contributions from Members.

WSUP is currently reliant on contributions from its Members for its unrestricted income. Any amounts outstanding from Members at the year end are included in accrued income.

Compared with charities of a similar size, Governance costs may appear to be relatively high. However, unlike charities, WSUP accounts for the time the Directors appointed by Members spend on Governance matters. These costs form part of the in-kind contributions from Members.

The receipt of grants in advance of activity has resulted in a high cash balance at the year end.

The Directors have considered the appropriate level of reserves required to ensure that all existing commitments are met. The Directors estimate this to be a time period of 6 months and thus the reserves policy is to have 6 months cover for unrestricted operational expenditure. This can only be accumulated from unrestricted funds.

At 31 March 2011 WSUP had free reserves (excluding unrestricted fixed assets) of £395,389. This is currently in excess of the policy and the Directors have made plans to expend some of these reserves in the coming year.

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For the year ended 31 March 2011

PLANS FOR THE FUTURE

WSUP is currently working through a major process of strategic analysis and restructuring. This process was initiated for a number of reasons:

WSUP's cumulative experience is leading to continuing re-analysis of the organisation's strategy and practice. Since its establishment in 2005, WSUP has emerged in a short period of time as a leading actor in the urban water and sanitation sector. Some of the approaches developed in the early years have proved viable, others less so, and this process of natural selection needs to be reflected in ongoing strategy.

Key external voices (including feedback from funders) have highlighted a need to re-think the goals and strategy developed when WSUP was a younger organisation, when its focus was necessarily on early-phase project start-up. Notably, a DFID review recommended that WSUP should deepen its engagement in a smaller number of countries and align more closely with international financing agencies.

As WSUP moves to the future, it has become clear that its funding base needs to be diversified. WSUP is a not-for-profit company, not a charity, with core funding raised from the membership. Following an initial phase in which core funding was provided under a DFID grant, WSUP is now largely dependent on programme funding, which makes rational long-term planning of core operations very difficult.

In view of the above and following extensive consultation and analysis over the last year, WSUP has embarked on a more substantial process of restructuring, reflected in a revised and expanded 2011-2016 Strategic Plan. Most fundamentally, WSUP is considering splitting its operations into 3 arms: Programmes, Advisory and Enterprises.

WSUP Programmes will continue WSUP's existing operations; it is anticipated that funding for this arm will continue to be primarily dependent on grants from major donors, though it is expected that other sources of finance (including social impact finance) will become increasingly important. It is also anticipated that WSUP will appear as a co-grantee or sub-grantee alongside in-country partners, reflecting a sector evolution towards in-country disbursement.

WSUP Advisory will be a revenue-generating arm of WSUP, offering expert consultancy services worldwide drawn from the extensive in-house knowledge relating to water and sanitation service provision for the urban poor. A key focus aim here is to work in a consultancy capacity with the major development banks. It is anticipated that this arm will become fully active in the near future.

WSUP Enterprises will set up a not-for-profit enterprise growth fund to invest in small and medium enterprises (SMEs) providing scalable urban water and sanitation services. Initial explorations of the feasibility of this are proving very positive.

In line with a key strategic recommendation, WSUP Programmes will now focus exclusively on six target countries (Bangladesh, Ghana, Kenya, Madagascar, Mozambique and Zambia), while at the same time expanding the number of locations in each country. WSUP will work towards four Strategic Outcomes, in-country and globally: 1) demonstrating models of service delivery; 2) strengthening service provider capacity; 3) mobilising investment for scale-up; and 4) promoting successful models worldwide.

A strong commitment to influencing decision-makers in-country and internationally will be reflected in ongoing expansion of WSUP's publications series, in an active presence at key sector fora, in a dedicated programme of research and innovation, and in a commitment to training of water and sanitation professionals from target countries.

For 2011, WSUP will not be holding an annual workshop but will instead participate in wider sector meeting both in-country and internationally. This reflects WSUP's strategy of increasing promotion of successful service improvement approaches to national level decision makers.

One major focus over the coming year will be Progress-Linked Finance. This is a proposed approach to water and sanitation financing by the major development banks which is designed to incentivise and support service providers to meet the needs of poor urban residents in a financially sustainable manner. It was developed by WSUP and recently explored in greater depth by the Overseas Development Institute. Other key areas for both implementation and research include Value-driven City Sanitation Management (an approach to sanitation planning based around financial analysis of possible models), and development and testing of sanitation business models based on portable household and communal toilets.

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REPORT OF THE DIRECTORS

For the year ended 31 March 2011

STATEMENT OF RESPONSIBILITIES OF THE DIRECTORS

The Directors are responsible for preparing the report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the profit or loss of the group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in operation.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that to the best of his/her knowledge there is no information relevant to the audit of which the auditors are unaware. Each of the Directors also confirms that he/she has taken all necessary steps to ensure that he/she is aware of all relevant audit information and that this information has been communicated to the auditors.

AUDIT

The turnover for the group is below the statutory threshold for audit. However, the Directors consider that it is consistent with WSUP's values of transparency and inclusivity that the accounts should be externally audited.

Sayer Vincent were re-appointed as the group's auditors during the year and have expressed their willingness to continue in that capacity.

Approved by the Directors on 27 October 2011 and signed on their behalf by:

William Day - Chair

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
WATER AND SANITATION FOR THE URBAN POOR

We have audited the financial statements of Water Sanitation for the Urban Poor for the year ended 31 March 2011 which comprise the group consolidated statement of financial activities, the group and parent company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditors

As explained more fully in the Statement of Responsibilities of the Directors set out in the report of the Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Helen Elliott, Senior statutory auditor
SAYER VINCENT
8 Angel Gate, City Road
LONDON, EC1V 2SJ

Date: 1 November 2011

WATER AND SANITATION FOR THE URBAN POOR

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an income and expenditure account)

For the year ended 31 March 2011

	Note	Restricted £	Unrestricted £	2011 Total £	2010 Total £
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Grants	2	4,342,544	-	4,342,544	4,089,456
Member contributions	3	-	152,121	152,121	232,211
Miscellaneous income		-	3,337	3,337	19,157
Investment income		5,425	764	6,189	7,368
TOTAL INCOMING RESOURCES		<u>4,347,969</u>	<u>156,222</u>	<u>4,504,191</u>	<u>4,348,192</u>
RESOURCES EXPENDED					
<i>Costs of generating funds</i>					
		145,101	27,691	172,792	220,361
<i>Activities</i>					
Projects		3,692,793	15,716	3,708,509	3,124,769
Advocacy and communications		17,872	859	18,731	26,550
<i>Governance costs</i>					
		21,861	46,132	67,993	95,048
TOTAL RESOURCES EXPENDED	4	<u>3,877,627</u>	<u>90,398</u>	<u>3,968,025</u>	<u>3,466,728</u>
Net incoming resources before other recognised gains and losses		470,342	65,824	536,166	881,464
Unrealised exchange rate (losses)/gains		(112,891)	-	(112,891)	136,554
NET MOVEMENTS IN FUNDS	12	<u>357,451</u>	<u>65,824</u>	<u>423,275</u>	<u>1,018,018</u>
Total Funds brought forward		2,548,616	329,565	2,878,181	1,860,163
TOTAL FUNDS CARRIED FORWARD		<u>2,906,067</u>	<u>395,389</u>	<u>3,301,456</u>	<u>2,878,181</u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 12 to the financial statements.

WATER AND SANITATION FOR THE URBAN POOR

BALANCE SHEETS

At 31 March 2011

	Note	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
TANGIBLE FIXED ASSETS	8	<u>23,810</u>	<u>41,106</u>	<u>23,810</u>	<u>20,091</u>
Current assets					
Debtors	10	574,947	237,044	573,188	230,932
Cash at bank and in hand		3,466,407	3,192,684	3,451,558	3,188,480
		<u>4,041,354</u>	<u>3,429,728</u>	<u>4,024,746</u>	<u>3,419,412</u>
Liabilities					
Creditors: amounts due within one year	11	(763,708)	(592,653)	(762,074)	(583,128)
NET CURRENT ASSETS		<u>3,277,646</u>	<u>2,837,075</u>	<u>3,262,672</u>	<u>2,836,284</u>
NET ASSETS	13	<u>3,301,456</u>	<u>2,878,181</u>	<u>3,286,482</u>	<u>2,856,375</u>
FUNDS	12				
Restricted funds		2,906,067	2,548,616	2,891,093	2,526,810
Unrestricted funds					
General funds		395,389	329,565	395,389	329,565
TOTAL FUNDS		<u>3,301,456</u>	<u>2,878,181</u>	<u>3,286,482</u>	<u>2,856,375</u>

Approved by the Directors on 27 October 2011 and signed on their behalf by:

William Day - Chair

Company Registration Number 05419428

WATER AND SANITATION FOR THE URBAN POOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1 ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 2006.

They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities as, although the company is not a registered charity, it operates in a similar manner and this framework is considered to be the most appropriate to demonstrate the company's activities.

These financial statements consolidate the results of the company and its subsidiary WSUP India on a line by line basis. A separate statement of financial activities, or income and expenditure account, for the company itself is not presented because the company has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

b) Member Contributions

Member contributions are accounted for when due under Membership agreements. Contributions are settled either in-kind or in cash.

Contributions in-kind are valued at cost to the Members and hence the unit costs invoiced may vary between the different organisations.

c) Incoming Resources

Revenue grants are credited to the statement of financial activities when received or receivable whichever is earlier.

Where unconditional entitlement to grants receivable is dependent upon fulfilment of conditions within the WSUP's control, the incoming resources are recognised when there is sufficient evidence that conditions will be met. Where there is uncertainty as to whether WSUP can meet such conditions the incoming resource is deferred.

d) Fund Accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for general purposes.

e) Resources Expended

Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the centrally managed costs, such as general office facilities, are apportioned to the activities proportional to staff time.

Costs of generating funds are those costs expended in preparing grant submissions both for WSUP and also on behalf of the LSP partners in-country. This latter income will not be received by WSUP.

Governance costs are the costs associated with meeting constitutional and statutory requirements and include any costs relating to the strategic management of WSUP's activities.

f) Operating Leases

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the minimum lease term.

WATER AND SANITATION FOR THE URBAN POOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1 ACCOUNTING POLICIES (continued)

g) Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate prevailing at the date of the transaction. Exchange differences are taken into account in arriving at the net incoming resources for the year.

h) Fixed Assets

Items of equipment are capitalised at cost where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The assumed useful lives are as follows:

Computer and Office Equipment	4 years
Project Motor Vehicles	4 years

2 GRANTS

	Restricted £	Unrestricted £	2011 Total £	2010 Total £
DFID	-	-	-	1,147,996
Bill & Melinda Gates Foundation	1,467,866	-	1,467,866	2,678,572
UN-Habitat	21,957	-	21,957	52,699
USAID (U.S. Agency for International Development)	823,855	-	823,855	177,242
AusAID (Australian Agency for International Development)	1,765,252	-	1,765,252	-
Other Grants	263,614	-	263,614	32,947
Total	<u>4,342,544</u>	<u>-</u>	<u>4,342,544</u>	<u>4,089,456</u>

3 MEMBER CONTRIBUTIONS

	Restricted £	Unrestricted £	2011 Total £	2010 Total £
Members' annual contributions	-	152,121	152,121	232,211
Total	<u>-</u>	<u>152,121</u>	<u>152,121</u>	<u>232,211</u>

See Note 14 for details.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

4 TOTAL RESOURCES EXPENDED

	Staff costs £	Member salary costs £	Other costs £	Support £	2011 Total £	2010 Total £
Fundraising	101,034	13,581	34,106	24,071	172,792	220,361
Projects	627,146	201,261	2,701,588	168,273	3,708,509	3,124,769
Advocacy & Communication	11,933	17	3,938	2,843	18,731	26,550
Governance	17,277	27,853	18,747	4,116	67,993	95,048
Support	111,746	156	97,642	(199,303)	-	-
Total resources expended	869,136	242,868	2,856,021	-	3,968,025	3,466,728
Year ended 31 March 2010	748,320	397,721	2,320,687	-	3,466,728	

5 NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging / crediting:

	2011 Total £	2010 Total £
Depreciation	21,875	17,180
Operating lease rentals:		
▪ property	55,825	55,290
▪ other	31	325
Auditors' remuneration:		
▪ audit UK	11,641	10,386
▪ other services UK	2,140	1,246
▪ audit India	1,672	4,859
Directors' remuneration	4,800	7,394
Directors' reimbursed expenses	-	814

Directors' remuneration and expenses are payments made to the independent Chair for his time spent on WSUP's affairs and his related expenses.

6 OPERATING LEASE COMMITMENTS

The company had annual commitments at the year end under operating leases expiring as follows:

	Property £	Equipment £	2011 Total £	2010 Total £
Less than 1 year	23,693	-	23,693	21,414
1 - 2 Years	-	1,973	1,973	-
2 - 5 Years	-	-	-	1,891
	23,693	1,973	25,666	23,305

In August 2011, after the year end, a 6 month property lease was entered into for £31,639

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For the year ended 31 March 2011

7 STAFF COSTS AND NUMBERS	2011 Total £	2010 Total £
Salaries and wages	439,739	404,061
Social security costs	48,273	38,758
¹ Pension contributions	20,682	14,632
	508,694	457,451
² WSUP in-country project staff salaries (including local employer payroll taxes)	342,123	254,777
WSUP India project staff salaries (including local employer payroll taxes)	13,519	30,539
³ Seconded staff	-	(1,841)
Directors' remuneration (note 5) including social security costs.	4,800	7,394
	869,136	748,320

¹ The company matches payments made by employees into their personal pension plans up to a pre-determined proportion of their salary. These costs are charged to the Statement of Financial Activities as incurred.

WSUP has no liability other than payment of those contributions.

² Some local in-country project staff are employed on WSUP's behalf by its local Members' offices or by local partner organisations. The salary, tax and any other offices costs related to these hosting arrangements are reimbursed by WSUP.

³ The amount for Seconded staff represents an over-accrual in the previous year.

The number of employees whose emoluments fell within the following bands:

	2011	2010
£70,000 - £79,999	1	1

During the year, pension contributions on behalf of these staff amounted to £4,183 (2010 £3,996).

The average weekly number of employees (full-time equivalent) during the year was as follows:

	2011 No.	2010 No.
Fundraising	2.0	2.0
Projects, including local project staff of which WSUP India: 3 (2010: 9)	31.0	26.5
Advocacy and communications	0.5	-
Governance	0.5	0.5
Support	3.0	2.5
	37.0	31.5

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For the year ended 31 March 2011

8 TANGIBLE FIXED ASSETS

GROUP	Vehicles	Computer	Total
Cost	£	Equipment	£
At 1 April 2010	£	£	£
At 1 April 2010	52,841	32,887	85,728
Additions in year	17,159	3,109	20,268
Disposals in year	(18,775)	(11,059)	(29,834)
At 31 March 2011	51,225	24,937	76,162
Depreciation			
At 1 April 2010	24,085	20,537	44,622
Charge for the year	15,683	6,192	21,875
Disposals in year	(7,015)	(7,130)	(14,145)
At 31 March 2011	32,753	19,599	52,352
Net book value			
At 31 March 2011	18,472	5,338	23,810
At 31 March 2010	28,756	12,350	41,106
COMPANY			
Cost			
At 1 April 2010	34,066	21,828	55,894
Additions in year	17,159	3,109	20,268
At 31 March 2011	51,225	24,937	76,162
Depreciation			
At 1 April 2010	19,947	15,856	35,803
Charge for the year	12,806	3,743	16,549
At 31 March 2011	32,753	19,599	52,352
Net book value			
At 31 March 2011	18,472	5,338	23,810
At 31 March 2010	14,119	5,972	20,091

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For the year ended 31 March 2011

9 INVESTMENTS

In order for WSUP to operate projects in India, a company called WSUP India was incorporated on 13 June 2006. It is a Section 25 not-for-profit company limited by shares, registered in India. The issued share capital is 1,000 shares at 100 Indian Rupees each, of which 999 are owned by WSUP and the remaining 1 share is owned by Mr Ravi Narayanan the Chair of the Board of Directors of WSUP India.

No investment is shown in the company financial statements as this was expensed when the share capital in WSUP India was originally acquired. At the time consolidated financial statements were not required.

A summary of the results of WSUP India is shown below:

	2011	2010
	Total	Total
	£	£
Income	53,097	54,628
Expenditure	(58,613)	(97,262)
Net Income / (Expenditure) on ordinary activities	<u>(5,516)</u>	<u>(42,634)</u>
The aggregate of the assets, liabilities and funds was:		
Assets	16,608	31,331
Liabilities	(1,634)	(9,525)
Funds	<u>14,974</u>	<u>21,806</u>

The parent company's gross income and the results for the year are disclosed as follows:

Gross income	4,504,191	4,348,192
Net result for the year	<u>430,107</u>	<u>1,060,111</u>

10 DEBTORS

	Group 2011 Total £	Group 2010 Total £	Company 2011 Total £	Company 2010 Total £
Trade debtors	112,451	72,256	110,692	72,256
Prepayments and accrued income	462,496	164,788	462,496	158,676
	<u>574,947</u>	<u>237,044</u>	<u>573,188</u>	<u>230,932</u>

11 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	Group 2011 Total £	Group 2010 Total £	Company 2011 Total £	Company 2010 Total £
Trade creditors	404,619	373,410	404,619	373,410
Taxation and social security	15,038	13,938	15,038	13,938
Accruals	342,417	195,780	342,417	195,780
Other creditors	1,634	9,525	-	-
	<u>763,708</u>	<u>592,653</u>	<u>762,074</u>	<u>583,128</u>

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For the year ended 31 March 2011

12 MOVEMENTS IN FUNDS	At the start of the year £	Incoming resources £	Outgoing resources £	Transfers £	Exchange gain/(loss) £	At the end of the year £
Restricted funds:						
DFID	91,504	-	(91,504)	-	-	-
KfW	23,059	-	(23,059)	-	-	-
BMG Foundation	2,393,688	1,472,221	(1,694,290)	-	(110,672)	2,060,947
Rockefeller Foundation	15,986	-	(15,986)	-	-	-
UN-Habitat	(11,805)	21,957	(11,848)	-	-	(1,696)
USAID	(2,059)	823,855	(809,989)	-	-	11,807
AusAID	-	1,766,322	(1,050,379)	-	-	715,943
Other	16,437	263,614	(175,959)	-	-	104,092
WSUP India	21,806	-	(4,613)	-	(2,219)	14,974
Total restricted funds	2,548,616	4,347,969	(3,877,627)	-	(112,891)	2,906,067
General funds	329,565	156,222	(90,398)	-	-	395,389
Total funds	2,878,181	4,504,191	(3,968,025)	-	(112,891)	3,301,456

Purposes of restricted funds:

DFID	To cover the costs of various projects as well as the general running costs of WSUP. Some of these costs were matched by contributions from Members as required by the grant terms. The Directors certify that the DFID grant was spent in accordance with the terms agreed.
KfW	From the German Federal Ministry for Economic Cooperation and Development through KfW Entwicklungsbank to cover the scoping or feasibility costs of projects.
BMG Foundation	From the Bill & Melinda Gates Foundation covering the Development stage for 2 projects and the Implementation stage for a further 2 projects, also for several other specific activities and towards the overall general running costs. It is paid annually in advance.
Rockefeller	Towards the Development stage of the Gatwekera project.
UN-Habitat	Towards the pilot Implementation phase of the Naivasha project, payable in arrears.
USAID	From the U.S. Agency for International Development to support a 3 year programme of work covering 6 projects in Africa, payable in arrears. The total grant is \$4.3M of which \$0.6M has been received to 31 March 2011. The balance of income due at year end has been accrued.
AusAID	From the Australian Agency for International Development a 1 year grant to continue and scale up existing programmes in Dhaka, Lusaka and Nairobi, paid in advance.

13 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted £	Unrestricted £	2011 Total £
Tangible fixed assets	23,810	-	23,810
Net current assets	2,882,257	395,389	3,277,646
Net assets at the end of the year	2,906,067	395,389	3,301,456

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

14 RELATED PARTY TRANSACTIONS

Cost of services provided by Members to WSUP					2011	2010
	Fundraising £	Projects £	Governance £	Support £	Total Costs £	Total £
Borealis & Borouge	-	-	4,200	-	4,200	3,875
CARE International UK	1,519	640,975	4,287	1,109	647,890	735,331
Cranfield University	-	149,515	5,001	-	154,516	62,194
Halcrow Group Ltd	14,794	118,887	8,446	160	142,287	221,771
Unilever Plc	-	-	-	-	-	3,676
WaterAid	-	196,139	3,688	-	199,827	25,453
WWF	-	27,943	2,326	-	30,269	55,851
	16,313	1,133,459	27,948	1,269	1,178,989	1,108,151

Membership Contributions made to WSUP	During the Year			2011	2010
	Accrued £	Cash £	In-kind £	Total £	Total £
Annual contributions					
Borealis & Borouge	-	22,000	4,200	26,200	50,000
CARE International UK	-	12,000	7,533	19,533	30,000
Cranfield University	-	-	30,493	30,493	12,211
Halcrow Group Ltd	-	-	13,402	13,402	30,000
Unilever Plc	25,000	-	-	25,000	50,000
WaterAid	-	10,000	10,941	20,941	30,000
WWF-World Wide Fund for Nature	-	10,000	6,552	16,552	30,000
	25,000	54,000	73,121	152,121	232,211

In-kind contributions comprise pre-approved staff time and expenses spent on the company's affairs.

Annual contributions are accrued up to the level due under individual Membership agreements, less cash amounts received during the year.

Grants Received from Members	2011 Total £	2010 Total £
In addition to the annual Membership contributions, grants were also received from Member organisations for the following projects:		
CARE Mozambique (for the Maputo project)	88,180	6,655
CARE UK (for partnership mapping work)	37,510	-
Unilever Plc (for the low cost sanitation trial project in Ghana)	137,924	-
	263,614	6,655

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For the year ended 31 March 2011

14 RELATED PARTY TRANSACTIONS (continued)

At 31 March 2011 balances with Members were as follows:

These amounts are included within the Debtors and Creditors figures in Notes 10 and 11.

	due to WSUP £	due from WSUP £	Net Balance at 31 March 2011 £	at 31 March 2010 £
Borealis & Borouge	-	-	-	48,000
CARE International UK	40,162	(16,750)	23,412	(23,570)
Cranfield University	-	(114,257)	(114,257)	(90,895)
Halcrow Group Ltd	-	(11,985)	(11,985)	(27,051)
Unilever Plc	84,924	-	84,924	46,324
WaterAid	-	(50,435)	(50,435)	7,716
WWF-World Wide Fund for Nature	-	(4,315)	(4,315)	3,463
	<u>125,086</u>	<u>(197,742)</u>	<u>(72,656)</u>	<u>(36,013)</u>

15 TAXATION

Corporation Tax

The grant income and contributions received from Members are not subject to Corporation Tax. The Directors have made an accrual on a prudent basis in case the bank interest and exchange gains are deemed to be taxable. However, the Directors consider that these form part of the grant because the funder specifies how they must be spent and therefore that they are not taxable. Confirmation is being sought from HMRC.

For the year ended 31 March 2011 the potential liability is £nil (2010 £30,502).

VAT

In common with many other not-for-profit organisations, WSUP is not registered for VAT because its income falls outside the scope. As a result, WSUP cannot recover the VAT incurred on expenditure invoiced by its suppliers.

Despite ensuring that all available exemptions are applied, in the year ended 31 March 2011 the irrecoverable VAT paid in the UK was £48,724 (2010 £46,833).

This is charged to the same cost categories on the statement of financial activities as the expenditure to which it relates.