



Water and Sanitation for the Urban Poor

Report and Financial Statements

for the year ended

31 March 2010

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 2010

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	
	Girish Menon	WaterAid	
	Edward Mitchell	Independent	
	Simon Parsons	Cranfield	
	John Martin	Halcrow	(appointed 28 January 2010)
	Mark Salway	CARE	
	David Scott	Independent	
	David Tickner	WWF	
	Paulus Verschuren	Unilever	
	David Walton	Borealis & Borouge	
	William Peacock	Halcrow	(resigned 28 January 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 2010

The Directors present their report and the audited financial statements for the year ended 31 March 2010.

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. 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 draws on expertise from the private sector, NGOs and civil society to assist local authorities and private sector entrepreneurs to expand services to poor urban communities, working closely with the communities themselves.

In order to distinguish its service offer 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, which has the possibility of receiving performance based fees and which can qualify for a wide range of funding mechanisms - including those usually earmarked for NGOs and those traditionally earmarked for private companies.

Projects are selected, co-ordinated and monitored by the WSUP's staff and Directors. Project development first assesses the local needs and evaluates service improvement options and then works with LSPs to secure funding for full scale implementation.

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.

STRUCTURE, GOVERNANCE & MANAGEMENT

Constitution

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 2010 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.

WATER AND SANITATION FOR THE URBAN POOR

REPORT OF THE DIRECTORS For the year ended 31 March 2010

At 31 March 2010 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	(company 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. They also decide which projects should progress to the next stage of development. 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.

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

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

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

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 in-kind contributions. Member organisations may contribute towards the development and implementation of projects and are reimbursed 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 the Member organisations 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 £42,634 funded by a surplus from the previous year. Further details are included in note 9 to the accounts. For the first time, the subsidiary WSUP India is consolidated into these financial statements and the Statement of Financial Activities reflects group income and expenditure for 2008-9 and 2009-10.

Funders

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

WATER AND SANITATION FOR THE URBAN POOR

REPORT OF THE DIRECTORS

For the year ended 31 March 2010

ACHIEVEMENTS AND PERFORMANCE

WSUP continued to make strong progress in its eight programme countries (Bangladesh, Ghana, India, Kenya, Madagascar, Mozambique and Zambia) towards delivering improved water and sanitation services to the urban poor. During the year, support provided by WSUP has enabled improved access to safe, affordable water for over 100,000 people, improved sanitation for 20,000 and improved hygiene for an additional 100,000 people across its country portfolio.

These strong results reflect the fact that programmes are beginning to deliver improvements at scale after the initial project development stages during which WSUP focused its efforts on developing strong partnerships and building a clear assessment of consumer needs.

A variety of different technical solutions have been employed to suit the different conditions faced - for household, shared and community solutions. These options include supporting the extension of the water supply network with a mixture of household and community connections; establishing decentralised distribution systems; improving the management and operation of community connections and improving the quality of water provided.

For sanitation, a mix of communal and household sanitation solutions have been supported, together with the facilitation of city sanitation planning processes in several cities.

For hygiene, WaterAid, CARE and local partners have taken the lead and focus has been on promoting three key messages – hand washing at critical times, the safe storage of water and using a safe sanitation facility. Programmes have targeted both women and children, with some activities being delivered in schools within the target areas. In addition, links have been made with local representatives of the Ministry of Health to provide capacity building and training in the delivery of effective hygiene campaigns.

Environmental sustainability is a critical element of WSUP's deliverables on water, sanitation and hygiene and WSUP has assisted service providers to reduce negative environmental impacts and to reduce the vulnerability of urban water and sanitation systems to climate change.

The development of partnerships with local service providers (LSPs) is integral to the WSUP approach and, as programmes have evolved, these partnerships have become stronger, leading to greater impact of the programmes being delivered. WSUP has earned a position of trust and influence with its LSP partners as a result of the steady provision of capacity building support which is highly valued by institutions that rarely have the time to address the challenge of the urban poor. WSUP has strengthened LSP capacity in a range of areas including non revenue water, pro-poor units and service delivery agreements that target the urban poor.

As programmes have started to achieve results, broader pro-poor outcomes have emerged, such as policies which enable water connections in low income communities, increased investment from national budgets into peri-urban areas, and uptake by private operators of successful models. These outcomes represent the real change in institutional behaviour that will ensure lasting improvements in the lives of the poor beyond the life of the programme.

The extraction of lessons and learning from programme implementation has been a core element of WSUP's approach. This has been achieved through regular dissemination of results and through participation in global, regional and local workshops to share experiences and demonstrate outcomes. In addition, lessons learnt have fed back into the planning and design of programmes in other countries leading to more effective programmes.

In November 2009, WSUP convened its annual programme workshop in Nairobi to promote learning within the organisation and between programme partners and stakeholders. The outcome from this workshop was a document entitled "How to Scale up Services to the Urban Poor" which was widely disseminated to the sector.

WSUP broadened its funding base through an agreement with USAID to support a multi-country urban programme, the Africa Cities for the Future Programme.

WSUP continues to count on a strong core membership of seven organisations, three from the private sector, three NGOs and one academic partner. Each member brings a range of expertise and experience to the organisation whilst at the same time gaining from it through working with other members and being exposed to alternative approaches.

WATER AND SANITATION FOR THE URBAN POOR

REPORT OF THE DIRECTORS

For the year ended 31 March 2010

FINANCIAL REVIEW

There was a surplus of income over expenditure of £881,464, primarily as a result of receiving advance payments in restricted funds. The balance of £97,014 was in unrestricted funds.

In addition to this, an unrealised exchange gain of £136,554 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 year end and, under the terms of the grant agreement, must be applied to the related project activities as it is effectively additional restricted grant income.

Income is received from 2 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.

Income and expenditure increased considerably this year as a number of projects started demonstrating infrastructure construction.

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

The receipt of grants in advance 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 2010 WSUP had free reserves (excluding unrestricted fixed assets) of £329,304. This is currently in excess of the policy and the Directors have made plans to expend some of these reserves in the coming year.

PLANS FOR THE FUTURE

WSUP now has in place the necessary partnerships, experience and some of the required funding in six focus countries to continue to deliver improvements at scale in the coming years. The selection of the six countries will be made in the coming year based on various criteria, the most important being the commitment demonstrated by government and service providers to WSUP's programme objectives.

Following a programme review by DFID in 2009 and its own internal review of strategy, WSUP has developed a 2010–2015 Strategic Programme that defines an updated set of target outcomes, programme strategies and budgets. The Strategic Programme will be used to support ongoing discussions with existing and potential funding partners.

Concentrating on the six countries in both Africa and Asia, WSUP will pursue a refined programme strategy covering water, sanitation, hygiene and environment and will retain its overall strategy of providing assistance to LSPs to extend services to the urban poor on a sustainable basis.

WSUP will focus on triggering investments in urban water and sanitation services through negotiating performance based financing agreements. In these, demonstrated service improvements will trigger scale-up financing from International Financial Institutions (IFI) (such as The World Bank group etc.), government and private sector. This approach is consistent with the increasing interest in results based financing among funding agencies.

In all programme areas, WSUP will aim to achieve improvements at a “representative” scale – being the scale which is large enough to ensure successful approaches are adopted as city wide strategy.

In the current financial year, WSUP has operational plans which are expected to improve access to safe, affordable water for an additional 140,000 people and improved sanitation for an additional 125,000 people. In the first quarter of 2010-11 alone, WSUP has enabled improved access to safe, affordable water for over 95,000 people, improved sanitation for 5,000 and improved hygiene for over 60,000.

In water, WSUP will work as implementing partner with water utilities, independent operators, associations and small businesses to develop service delivery mechanisms that reach all urban customers, including the poor. With a strong focus on financial, social and technical sustainability, WSUP will ensure these services last over time.

WATER AND SANITATION FOR THE URBAN POOR

REPORT OF THE DIRECTORS

For the year ended 31 March 2010

In sanitation, WSUP will work with water and sanitation LSPs, with local business enterprises selling sanitation products and services such as latrine components, pit emptying and sludge transport and disposal services. WSUP will seek new and improved ways to deliver sanitation related services to the poor. This is an area where breakthrough solutions are desperately needed as the world needs to accelerate progress towards meeting the sanitation related MDGs.

In hygiene, WSUP will continue to focus its efforts on increasing hand washing with soap in urban communities. Whilst hand washing with soap is not the only important aspect of hygiene relevant to the urban poor, it is the area where the greatest direct impact in health can be achieved. WSUP will build on its partnership with Unilever to extend the ground breaking behaviour change programmes that it has developed into the low income urban communities.

With regard to the environment, WSUP will continue to ensure that all its interventions take into account the needs of the water catchment, have a positive impact on the environment and minimise carbon use. WSUP will continue to support service providers to identify appropriate designs for their service delivery systems that address vulnerability to climate change.

WSUP will position its programme alongside wider urban upgrading programmes funded by government and in some cases backed by IFI loan funding, with the explicit intention of ensuring service improvements to the urban poor are scaled up.

STATEMENT OF RESPONSIBILITIES OF THE DIRECTORS

The Directors are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and of the company and the incoming resources and application of resources, including the net income or expenditure, of the group for the year. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice 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 which disclose with reasonable accuracy at any time the financial position of the group and company and which enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that to the best of their knowledge there is no information relevant to the audit of which the auditors are unaware. Each of the Directors also confirms that they have taken all necessary steps to ensure that they themselves are 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 28 October 2010 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 and Sanitation for the Urban Poor for the year ended 31 March 2010 which comprise the consolidated statement of financial activities, the group and parent balance sheets and 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 Directors Responsibilities Statement 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 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 (APB'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.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the group's and the parent company's affairs as at 31 March 2010 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 Directors' report 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
for and on behalf of Sayer Vincent, Statutory Auditors

Date: 5 November 2010

SAYER VINCENT

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

8 Angel Gate, City Road, LONDON, EC1V 2SJ

WATER AND SANITATION FOR THE URBAN POOR

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an income and expenditure account)

For the year ended 31 March 2010

	Note	Restricted £	Unrestricted £	2010 Total £	2009 Total £
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Grants	2	4,089,456	-	4,089,456	2,367,050
Member contributions	3	-	232,211	232,211	230,753
Miscellaneous income		-	19,157	19,157	-
Investment income		6,808	560	7,368	49,058
TOTAL INCOMING RESOURCES		<u>4,096,264</u>	<u>251,928</u>	<u>4,348,192</u>	<u>2,646,861</u>
RESOURCES EXPENDED					
<i>Costs of generating funds</i>					
		190,081	30,280	220,361	264,679
<i>Activities</i>					
Projects		3,001,918	122,851	3,124,769	1,699,676
Advocacy and communications		19,341	7,209	26,550	76,808
<i>Governance costs</i>					
		68,031	27,017	95,048	95,241
TOTAL RESOURCES EXPENDED	4	<u>3,279,371</u>	<u>187,357</u>	<u>3,466,728</u>	<u>2,136,404</u>
Net incoming resources before transfers		816,893	64,571	881,464	510,457
Gross transfers between funds	12	(32,443)	32,443	-	-
Net incoming resources before other recognised gains and losses		784,450	97,014	881,464	510,457
Unrealised exchange rate gains		136,554	-	136,554	267,239
NET MOVEMENTS IN FUNDS		<u>921,004</u>	<u>97,014</u>	<u>1,018,018</u>	<u>777,696</u>
Total Funds brought forward		1,627,612	232,551	1,860,163	1,082,467
TOTAL FUNDS CARRIED FORWARD		<u>2,548,616</u>	<u>329,565</u>	<u>2,878,181</u>	<u>1,860,163</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 2010

	Note	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
TANGIBLE FIXED ASSETS	8	41,106	39,505	20,091	14,957
Current assets					
Debtors	10	237,044	158,239	230,932	141,973
Short term bank deposits		-	2,019,380	-	2,019,380
Cash at bank and in hand		3,192,684	202,377	3,188,480	177,218
		3,429,728	2,379,996	3,419,412	2,338,571
Liabilities					
Creditors: amounts due within one year	11	(592,653)	(559,338)	(583,128)	(557,264)
NET CURRENT ASSETS		2,837,075	1,820,658	2,836,284	1,781,307
NET ASSETS	13	2,878,181	1,860,163	2,856,375	1,796,264
FUNDS	12				
Restricted funds					
In surplus		2,562,480	1,641,364	2,540,674	1,577,465
In deficit		(13,864)	(13,752)	(13,864)	(13,752)
Unrestricted funds					
General funds		329,565	232,551	329,565	232,551
TOTAL FUNDS		2,878,181	1,860,163	2,856,375	1,796,264

Approved by the Directors on 28 October 2010 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 2010

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

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 2010

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	2010 Total £	2009 Total £
	£	£	£	£
DFID	1,147,996	-	1,147,996	796,887
KfW	-	-	-	79,605
Bill & Melinda Gates Foundation	2,678,572	-	2,678,572	1,264,542
Rockefeller Foundation	-	-	-	168,583
UN-Habitat	52,699	-	52,699	23,267
USAID (U.S. Agency for International Development)	177,242	-	177,242	-
Other Grants	32,947	-	32,947	34,166
Total	4,089,456	-	4,089,456	2,367,050

3 MEMBER CONTRIBUTIONS

	Restricted	Unrestricted	2010 Total £	2009 Total £
	£	£	£	£
Members' annual contributions	-	232,211	232,211	230,753
Total	-	232,211	232,211	230,753

See Note 14 for details.

WATER AND SANITATION FOR THE URBAN POOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

4 TOTAL RESOURCES EXPENDED

	Staff costs £	Member salary costs £	Other costs £	Support £	2010 Total £	2009 Total £
Fundraising	87,718	33,757	79,481	19,405	220,361	264,679
Projects	539,515	326,605	2,123,977	134,672	3,124,769	1,699,676
Advocacy & Communication	10,770	66	13,332	2,382	26,550	76,808
Governance	24,860	36,697	27,992	5,499	95,048	95,241
Support	85,457	596	75,905	(161,958)	-	-
Total resources expended	748,320	397,721	2,320,687	-	3,466,728	2,136,404
Year ended 31 March 2009	583,471	406,491	1,146,442	-	2,136,404	

5 NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging / crediting:

	2010 Total £	2009 Total £
Depreciation	17,180	12,306
Operating lease rentals:		
▪ property	55,290	48,629
▪ other	325	-
Auditors' remuneration:		
▪ audit UK	10,386	10,398
▪ other services UK	1,246	-
▪ audit India	4,859	3,754
Directors' remuneration	7,200	10,200
Directors' reimbursed expenses	814	470

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 £	2010 Total £	2009 Total £
Less than 1 year	21,414	-	21,414	22,385
1 - 2 Years	-	-	-	-
2 - 5 Years	-	1,891	1,891	-
	21,414	1,891	23,305	22,385

In August 2010, after the year end, a 12 month property lease was entered into for £57,314.

WATER AND SANITATION FOR THE URBAN POOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

7 STAFF COSTS AND NUMBERS	2010	2009
	Total	Total
	£	£
Salaries and wages	404,061	297,430
Social security costs	38,758	32,610
¹ Pension contributions	14,632	14,828
	457,451	344,868
² WSUP in-country project staff salaries (including local employer payroll taxes)	254,777	126,023
WSUP India project staff salaries (including local employer payroll taxes)	30,539	30,103
³ Seconded staff	(1,841)	71,664
Directors' remuneration (note 5) including social security costs.	7,394	10,813
	748,320	583,471

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 In the prior year the Environment Agency seconded an employee to the company at an accrued cost of £71,664. An adjustment was subsequently made resulting in a net credit in the current year of £1,841.

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

	2010	2009
£70,000 - £79,999	1	1

During the year, pension contributions on behalf of these staff amounted to £3,996 (2009: £3,996).

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

	2010	2009
	No.	No.
Fundraising	2.0	1.5
Projects, including local project staff of which WSUP India: 9 (2009: 6)	26.5	17.0
Advocacy and communications	-	0.5
Governance	0.5	0.5
Support	2.5	1.5
	31.5	21.0

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8 TANGIBLE FIXED ASSETS

	Vehicles	Computer	Total
	£	£	£
GROUP			
Cost			
At 1 April 2009	40,173	25,948	66,121
Additions in year	11,204	6,075	17,279
Exchange gain	1,464	864	2,328
At 31 March 2010	<u>52,841</u>	<u>32,887</u>	<u>85,728</u>
Depreciation			
At 1 April 2009	12,264	14,352	26,616
Charge for the year	11,420	5,760	17,180
Exchange gain	401	425	826
At 31 March 2010	<u>24,085</u>	<u>20,537</u>	<u>44,622</u>
Net book value			
At 31 March 2010	<u>28,756</u>	<u>12,350</u>	<u>41,106</u>
At 31 March 2009	<u>27,909</u>	<u>11,596</u>	<u>39,505</u>
COMPANY			
Cost			
At 1 April 2009	22,862	15,813	38,675
Additions in year	11,204	6,015	17,219
At 31 March 2010	<u>34,066</u>	<u>21,828</u>	<u>55,894</u>
Depreciation			
At 1 April 2009	11,431	12,287	23,718
Charge for the year	8,516	3,569	12,085
At 31 March 2010	<u>19,947</u>	<u>15,856</u>	<u>35,803</u>
Net book value			
At 31 March 2010	<u>14,119</u>	<u>5,972</u>	<u>20,091</u>
At 31 March 2009	<u>11,431</u>	<u>3,526</u>	<u>14,957</u>

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.

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For the year ended 31 March 2010

9 INVESTMENTS (continued)

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

	2010 Total £	2009 Total £
Income	54,628	115,935
Expenditure	(97,262)	(53,503)
Net Income / (Expenditure) on ordinary activities	<u>(42,634)</u>	<u>62,432</u>
The aggregate of the assets, liabilities and funds was:		
Assets	31,331	65,973
Liabilities	(9,525)	(2,074)
Funds	<u>21,806</u>	<u>63,899</u>

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

	2010 Total £	2009 Total £
Gross income	4,348,192	2,634,081
Net result for the year	<u>1,060,111</u>	<u>711,450</u>

10 DEBTORS

	Group 2010 Total £	Group 2009 Total £	Company 2010 Total £	Company 2009 Total £
Trade debtors	72,256	1,787	72,256	1,787
Prepayments and accrued income	164,788	156,452	158,676	140,186
	<u>237,044</u>	<u>158,239</u>	<u>230,932</u>	<u>141,973</u>

11 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	Group 2010 Total £	Group 2009 Total £	Company 2010 Total £	Company 2009 Total £
Trade creditors	373,410	215,535	373,410	215,535
Taxation and social security	13,938	10,729	13,938	10,729
Accruals	195,780	327,402	195,780	327,402
Other creditors	9,525	5,672	-	3,598
	<u>592,653</u>	<u>559,338</u>	<u>583,128</u>	<u>557,264</u>

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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	36,142	1,147,996	(1,060,191)	(32,443)	-	91,504
KfW	87,954	-	(64,895)	-	-	23,059
BMG Foundation	1,324,281	2,685,380	(1,753,871)	-	137,898	2,393,688
Rockefeller Foundation	116,033	-	(100,047)	-	-	15,986
UN-Habitat	(13,752)	52,699	(50,752)	-	-	(11,805)
USAID	-	177,242	(179,301)	-	-	(2,059)
Other	13,055	32,947	(29,565)	-	-	16,437
WSUP India	63,899	-	(40,749)	-	(1,344)	21,806
Total restricted funds	1,627,612	4,096,264	(3,279,371)	(32,443)	136,554	2,548,616
General funds	232,551	251,928	(187,357)	32,443	-	329,565
Total funds	1,860,163	4,348,192	(3,466,728)	-	136,554	2,878,181

Purposes of restricted funds:

DFID To cover the costs of 2 pilot projects up to and including implementation stage. Also to cover the costs of other projects up to and including scoping stage, as well as the general running costs of WSUP. These latter items are part funded by DFID with the remainder to be matched by contributions from Members.

The balance of the DFID grant represents expenditure that WSUP was committed to paying but was not contractually obliged to do so at the year end. The Directors confirm that the majority of the balance has been expended since the year end. There remains a minor amount held as retentions from construction contracts which have been provided for in the financial statements and become payable during the 2010-11 financial year.

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 From the Bill & Melinda Gates Foundation covering the Development stage for 2 projects and the Implementation stage for a further 2 projects, also for capacity building, environmental management, monitoring & evaluation 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 A 3 year cooperative agreement for 6 projects in Africa. Plus a cost reimbursable sub-contract from ARD Inc. for technical support towards the Development stage of the Bamako project.

The transfer between funds represents an adjustment regarding costs incurred in 2005-8 which were eligible for off-set against restricted funds but which were initially shown as unrestricted.

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13 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted £	Unrestricted £	2010 Total £
Tangible fixed assets	40,846	261	41,107
Net current assets	2,507,770	329,304	2,837,074
Net assets at the end of the year	2,548,616	329,565	2,878,181

14 RELATED PARTY TRANSACTIONS

Cost of services provided by Members to WSUP

	Fundraising £	Projects £	Governance £	Support £	2010 Total Costs £	2009 Total £
Borealis & Borouge	-	1,875	2,000	-	3,875	5,294
CARE International UK	1,575	725,572	5,765	2,419	735,331	247,584
Cranfield University	1,380	51,828	8,986	-	62,194	57,649
Halcrow Group Ltd	36,186	174,453	11,132	-	221,771	271,630
Unilever Plc	-	-	3,676	-	3,676	5,503
WaterAid	-	21,775	3,678	-	25,453	107,295
WWF	-	52,415	3,436	-	55,851	91,976
	39,141	1,027,918	38,673	2,419	1,108,151	786,931

Membership Contributions made to WSUP

	Accrued £	During the Year		2010 Total £	2009 Total £
		Cash £	In-kind £		
Annual contributions					
Borealis & Borouge	48,000	-	2,000	50,000	50,000
CARE International UK	17,931	-	12,069	30,000	30,000
Cranfield University	-	-	12,211	12,211	10,753
Halcrow Group Ltd	495	-	29,505	30,000	30,000
Unilever Plc	46,324	-	3,676	50,000	50,000
WaterAid	18,043	-	11,957	30,000	30,000
WWF-World Wide Fund for Nature	20,296	-	9,704	30,000	30,000
	151,089	-	81,122	232,211	230,753

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 Membership agreements after taking account of in-kind contributions. The exception to this is Cranfield whose contribution is made exclusively through in-kind time.

WATER AND SANITATION FOR THE URBAN POOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

14 RELATED PARTY TRANSACTIONS (continued)	2010 Total £	2009 Total £
Grants Received from Members		
In addition to the annual Membership contributions, grants were also received from Member organisations for the following projects:		
CARE Mozambique (for the Maputo project)	6,655	9,355
WWF-World Wide Fund for Nature (for the Naivasha project)	-	9,030
	6,655	18,385

At 31 March 2010 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 2010 £	Net Balance at 31 March 2009 £
Borealis & Borouge	48,000	-	48,000	44,706
CARE International UK	17,931	(41,501)	(23,570)	(117,855)
Cranfield University	-	(90,895)	(90,895)	(42,293)
Halcrow Group Ltd	495	(27,546)	(27,051)	(88,488)
Unilever Plc	46,324	-	46,324	44,497
WaterAid	18,043	(10,327)	7,716	5,036
WWF-World Wide Fund for Nature	20,308	(16,845)	3,463	(10,549)
	151,101	(187,114)	(36,013)	(164,946)

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 2010 the potential liability is £30,502 (2009: £67,560).

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 2010 the irrecoverable VAT paid in the UK was £46,833 (2009: £67,275).

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