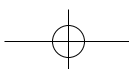
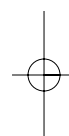
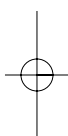


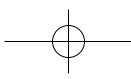
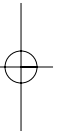
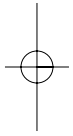
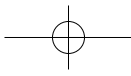
**WaterAid
(Company Limited by Guarantee)**

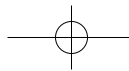
**Annual Report and Accounts
for the year ended 31 March 2005**

**Company no: 1787329
Charity no: 288701**

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Report of the Council	3
Report of the Auditors	8
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Consolidated Balance Sheet	10
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WaterAid
(Company Limited by Guarantee)

Page 1

Council of Management and Advisors

President

HRH The Prince of Wales

Vice-Presidents

Maurice Lowther
The Rev and Rt Hon Lord Sandford, DSC
The Rt Hon Baroness Chalker of Wallasey

Council Members

Professor Alan Alexander
Ashish Bhatt
^ Martin Bradbury
Dr Alexander Cairncross
^◆ Gordon Channon
* Ashoke Chatterjee
*◆ Victor Cocker, CBE - Chair
Stuart Derwent
* Dinah Moore
*◆ Karen Morgan, OBE
^ Roy Pointer
^ Nigel Reader, CBE
Pramilla Senanayake
John Sexton
^* Hugh Speed, OBE (resigned 1 December 2004)
Kevin Whiteman
Pamela Taylor

* = Member of the Overseas Committee
^ = Member of the Audit Committee
◆ = Member of the Nominations Committee

Chief Executive

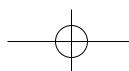
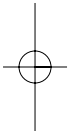
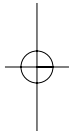
Ravi Narayanan

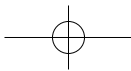
Secretary

Jehangir Gandhi

Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY





WaterAid

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Bankers

Barclays Bank plc
50 Pall Mall
London SW1A 1QB

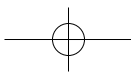
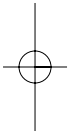
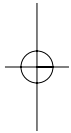
Solicitors

Blake Laphorn Linnell
Seacourt Tower
West Way
Oxford OX2 OFB

Bates, Wells and Braithwaite
Cheapside House
138 Cheapside
London, EC2V 6BB

Registered Office

Prince Consort House
27 - 29 Albert Embankment
London SE1 7UB



WaterAid

Report of the Council for the year ended 31 March 2005

These are the WaterAid report and accounts for the year ended 31 March 2005 which have been prepared in accordance with the Charity Statement of Recommended Practice - SORP 2000 and the Companies Act 1985.

President and Council

WaterAid is grateful for, and honoured by, the continued involvement of His Royal Highness The Prince of Wales as President of WaterAid. The members of the Council, who are also directors of the Company and trustees of the Charity who have served during the year, together with the President and Vice Presidents, are listed on page 1.

Charitable objectives

The charitable objectives, as amended by the passing of a special resolution on 9th September 2004, are to relieve poverty and suffering in any part of the world through the improvement of water supplies, sanitation and advice on related health matters and to educate the public concerning the nature, causes and effects of such poverty and suffering.

Activities

WaterAid's aim is to work with locally based partner organisations to help poor people in developing countries achieve sustainable improvements in their quality of life by improved domestic water supply, sanitation and associated hygiene practices. It achieves this through providing financial, technical and organisational support - where it is requested and where it is likely to be effective - to partner organisations indigenous to the developing countries. A list of the partner organisations receiving significant support from WaterAid, together with the amount of support provided during the current financial year, is detailed in note 6 of the report and accounts.

During this year, WaterAid supported projects have benefited approximately 610,000 people through the delivery of water projects and 540,000 through sanitation initiatives. The cumulative total assisted water beneficiaries now approaches close to nine million people. The gap between water and sanitation beneficiaries is closing and this is very much in line with our policy of integrating water, sanitation and hygiene.

WaterAid has helped several of our more mature partners to establish direct funding links with external donors. This income, which we define as "levered income," arises where WaterAid has a significant influence over the funding that goes through the partner organisations it supports and where WaterAid has been able to shape the complete working methodology used. WaterAid funded projects have supported approximately 330,000 "levered" water beneficiaries and 580,000 "levered" sanitation beneficiaries during the year. The "levered" income, which is not reflected in the financial statements, remains the same as last year at £3.2 million.

Programmes currently supported include those in Bangladesh, Burkina Faso, Ethiopia, Ghana, India, Madagascar, Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, Tanzania, Uganda and Zambia.

This has been an extremely successful year for WaterAid with total income rising from £18.3 million to £21.3 million. Voluntary and total income has both nearly doubled over the last three years.

	2001-02	2002-03	2003-04	2004-05
Voluntary Income	£ 8.3 million	£ 12.5 million	£ 13.7 million	£ 15.6 million
Total Income	£ 11.0 million	£ 17.1 million	£ 18.3 million	£ 21.3 million

Programme expansion has been rapid, following the increase in our funding base. Our operational programmes have grown by £2.3 million during the year, as detailed in note 6 to the financial statements. The Trustees have approved an ambitious plan to significantly scale up the growth of the international programmes over the next three years. Projected total expenditure is planned to grow from its current level of £19.7 million to more than £31.4 million in 2007/08.

WaterAid

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Reserves, which are within the agreed reserves range approved by the Trustees, have increased from £11.9 million to £13.5 million during the year. This increase will enable the organisation to make longer term commitments to its partners and programmes.

WaterAid has benefited from free fundraising which is primarily in the form of leaflets inserted with customer bills by certain UK water companies. In accordance with the Charity Statement of Recommended Practice (SORP) the value of these benefits has been included in the accounts.

The profit before deed of covenant of the trading subsidiary, WaterAid Trading Ltd, has increased from £101,000 to £141,000. The change is primarily due to an increase in commercial licensing activities.

As we disclosed at our supporters' meeting in September 2004, circumstances had come to light which indicated problems with the management of projects being undertaken by some of our partner organisations in southern India. Immediately these issues were identified the Trustees, internal audit and senior management commenced their own internal investigation, and subsequently appointed Price Waterhouse (India) to undertake an independent investigation, in order to establish the extent of the problems and their potential consequences.

The report from Price Waterhouse (India) highlighted that the nature of these issues primarily concerned the completeness and robustness of the management and financial information maintained by partner organisations to demonstrate the activities performed by them on certain projects.

The Trustees have taken these findings extremely seriously and have put in place a framework for reinforcing reporting and control procedures, wherever funds are being expensed through the use of partner organisations. The Trustees have also kept both the regulators and contracted donors informed of the issues which have arisen. The Trustees are pleased to report that the regulators have confirmed in writing that they are satisfied that WaterAid has taken the necessary and appropriate action.

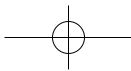
Advocacy

At the UK and International levels our sustained engagement with the Department for International Development (DFID) through the Flush Out Poverty Campaign and subsequently from the publication of the 'Getting to Boiling Point' report were important factors in DFID's decision to double water and sanitation expenditure for Africa.

Through initiatives such as the 'Getting to Boiling Point' report and other similar local reports in country programmes, WaterAid has had the opportunity to influence policy making forums at both country and international levels. Examples are opportunities for the presentation of our Citizens' Voice project at the UN Commission for Sustainable Development and membership of the panel to review the Asian Development Bank's Water Policy Implementation.

WaterAid also became a member of an alliance called Water, Sanitation and Urban Programme (WSUP), made up of international NGOs and companies in the commercial sector, whose purpose is to provide solutions for the provision of water and sanitation services to peri-urban and mid size towns – an urban segment traditionally neglected and of growing importance in the future. The aim is to move beyond the often sterile debates on privatisation, to the development of partnerships which can deliver services to unserved and neglected sections of the populations of urban settlements. The first project in which WaterAid is the lead NGO is in Bangalore.

WaterAid involvement at these international panels has helped keep the water and sanitation sector in focus within these institutions and therefore contributes to their programme priorities. WaterAid has also benefited by maintaining its high profile in the international water and sanitation sector.



WaterAid

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WaterAid's interaction with DFID, with the help of the Flush Out Poverty campaign and personal meetings with the Secretary of State for International Development, has resulted in DFID producing a new policy on water which we will continue to monitor.

WaterAid has become better at co-ordinating our public policy work between the Public Policy Department and Country Programme teams. A meeting in Madagascar last November helped to set the agenda for joint work in 2004/05.

Marketing & Alliances

This has been another successful year for WaterAid's marketing teams. Building on the success of the previous year, voluntary income has grown strongly to £15.6 million and total income to £21.3 million.

WaterAid America, a registered not-for-profit US organisation, has obtained a Section 501(c)(3) exemption with the Internal Revenue Service in the USA so that US donors and foundations can make their donations tax effectively. WaterAid America has had an extremely successful first year of operation, including receiving pledges in excess of US\$ 1 million, and is currently in the process of recruiting its first Chief Executive Officer.

WaterAid has agreed to license the WaterAid name and logo to an Australian organisation called AquaAid. This organisation has set up an infrastructure for both raising funds and for the delivery of projects in South East Asia and has recently completed its first project.

As both WaterAid America and AquaAid are independent organisations, their results have not been included in these financial statements.

WaterAid's trading subsidiary, WaterAid Trading Ltd, fills two important roles for WaterAid: in fundraising and in publicity. All of its activities are planned on this dual basis. It avoids risky commercial ventures, and consequently returns a profit as well as considerable publicity opportunities that complement those generated by the rest of WaterAid's Marketing Department. A review has recently been conducted of the Trading operations and the Directors of WaterAid Trading Limited are in the process of determining future plans for the operation based on the findings of the review.

Governance

With a view to following best practice with respect to Corporate Governance, the Trustees commissioned an external consultant to review the governance arrangements in place for the charity. The consultant has presented her findings to the Board and the Trustees are in the process of developing a migration plan to implement many of the results of the review.

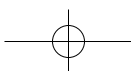
Staff and Volunteers

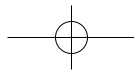
WaterAid has numerous volunteers who give up their valuable time to assist WaterAid in a number of ways. This voluntary assistance can range from giving WaterAid the benefit of their professional expertise to organising events on behalf of the charity. WaterAid is also privileged to have dedicated and motivated staff, many of whom work in difficult and remote locations around the world.

In recognition of the enormous contribution that staff and volunteers around the world make the Council would like to record its appreciation for their devoted work, which is often beyond the call of duty.

Risk Management

The Council confirms that the major risks that it has identified to which the charity is exposed have been reviewed and that systems have been established to mitigate those risks.





WaterAid

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The Council has an Audit Committee with the specific responsibilities of making recommendations to the Council on the appointment and remuneration of the external auditors, reviewing the audited accounts and external auditors' report before submission to the Council, reviewing and reporting to Council on the risk management process, reviewing internal controls, reviewing internal audits and discussing how WaterAid is achieving value for money. This Committee underpins our ethos that good financial management is central to our operational activities.

Financial Position and Reserves

At 31 March 2005 WaterAid had total fund balances of £13.5 million. This included £473,000 of restricted funds, earmarked for specific projects with the balance in an accumulated general fund. Reserves have grown strongly, reflecting WaterAid's success in fundraising during the year.

The Trustees have approved an ambitious plan to significantly scale up the growth of the international programmes over the next three years. They expect projected programme growth will lead to a growth in total expenditure from £19.7 million in 2004/5 to £31.4 million in 2007/8.

Due to recent rapid increases in income and large projected increases in expenditure the Trustees have agreed that WaterAid's total reserves should be based on projected expenditure three years ahead. The Trustees also consider that the funding for certain elements of the expenditure, which are not financed from general funds, is reasonably secure and thus this expenditure will be excluded when calculating the level of reserves. This expenditure is termed restricted expenditure.

The Trustees have decided that it is appropriate to maintain a level of total reserves within a range of plus or minus 25% of six months' projected expenditure three years ahead, excluding restricted expenditure. Based on the projected expenditure for 2007/08 the desired current range is £9.7 million to £16.2 million. At the year end the total reserves held were £13.5 million. The Trustees have further decided that the reserves range will be reviewed annually to reassess risks and reflect any structural changes in WaterAid's income.

Legal and Administrative information

The name of the charity is WaterAid, registered office address Prince Consort House, 27-29 Albert Embankment, London, SE1 7UB UK. WaterAid is a company limited by guarantee and the governing document is the Memorandum and Articles of Association. Council Members (who are also the Trustees and Directors) are elected by the members, who are the guarantors, at the Annual General Meeting. The charity registration number is 288701 and the company registration number is 1787329.

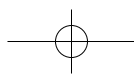
Organisational structure

WaterAid is a charity registered in England and Wales with the head office in London and regional offices in Birmingham, Bath, Glasgow and York. It has offices in 14 countries in Africa and Asia where drinking water and sanitation projects are managed and administered. The charity works with numerous local partner organisations, the largest of which are detailed in the notes to the accounts, and with which it delivers its programmes around the world.

The Trustees delegate certain functions to committees of Trustees. There are three such committees.

- The Audit Committee encourages and safeguards the highest standards of integrity, financial reporting and internal control. It also oversees the organisation's risk management processes.
- The Overseas Committee reviews the overall strategy for the international programme work, monitors the results of our ongoing programme evaluation and ensures that fieldwork is carried out to the highest standard.
- The Nominations Committee ensures that Trustees of the highest calibre with an appropriate mix of skills and experience are put forward for selection to the Board of Trustees.

WaterAid has a wholly-owned trading subsidiary through which it sells Christmas cards and goods.



WaterAid

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Statement of the Council's responsibilities for the financial statements

Company law requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and group at the end of the financial year. In preparing those financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The maintenance and integrity of the WaterAid website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and group and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice, 'Accounting and Reporting by Charities' issued in October 2000. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the charitable company will be proposed at the annual general meeting.



Council Member



Council Member

Independent auditors' report to the members of WaterAid

We have audited the consolidated financial statements which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The council members are also directors of WaterAid for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of council's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the council is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Report of the Council

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group at 31 March 2005 and of the net incoming resources, including the income and expenditure, and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

9 August 2005.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2005
(Including an Income and Expenditure Account)

	Notes	Unrestricted Funds £000	Restricted Funds £000	Totals 31 March 2005 £000	Totals 31 March 2004 £000
Incoming resources					
Donations, legacies and similar incoming resources	2	13,714	1,920	15,634	13,689
Activities in furtherance of the charity's objects:					
Grants for operational programmes	3	969	4,094	5,063	4,145
Activities for generating funds:					
Trading company income		230	-	230	258
Investment income and interest	4	344	33	377	229
Total incoming resources		15,257	6,047	21,304	18,321
Less: Cost of generating funds					
Trading company expenses		89	-	89	158
Fundraising costs		5,254	-	5,254	4,587
		5,343	-	5,343	4,745
Net incoming resources available for charitable application		9,914	6,047	15,961	13,576
Charitable expenditure					
Costs of activities in furtherance of the objects of the charity:					
Operational programmes	6	4,811	6,491	11,302	9,003
Development Awareness		264	-	264	265
Public Policy and Education		670	183	853	661
Support costs		1,412	-	1,412	930
Managing and administering the charity		536	-	536	374
Total charitable expenditure		7,693	6,674	14,367	11,233
Total resources expended	5	13,036	6,674	19,710	15,978
Net income (expenditure) for the year	18	2,221	(627)	1,594	2,343
Total funds brought forward		10,781	1,100	11,881	9,538
Total funds carried forward		13,002	473	13,475	11,881

The statement of financial activities includes all gains and losses recognised during the year. All incoming resources and resources expended derive from continuing activities. The notes supporting the Financial Statements are on pages 12 to 22.

CONSOLIDATED AND CHARITY BALANCE SHEETS AT 31 MARCH 2005

	Notes	Group		Charity	
		2005 £000	2004 £000	2005 £000	2004 £000
Fixed assets					
Tangible assets	8	515	433	515	433
Investments	9	90	-	90	-
		605	433	605	433
Current assets					
Stock		3	5	-	-
Debtors	10	2,515	1,337	2,559	1,415
Short term investments		8,606	7,529	8,550	7,529
Cash at bank and in hand		4,323	3,826	4,311	3,735
		15,447	12,697	15,420	12,679
Creditors					
Amounts falling due within one year	11	(2,052)	(1,099)	(2,025)	(1,081)
Provisions	11	(525)	(150)	(525)	(150)
		(2,577)	(1,249)	(2,550)	(1,231)
Net Current Assets		12,870	11,448	12,870	11,448
Net Assets		13,475	11,881	13,475	11,881
Funds					
Unrestricted funds					
General reserves	12	13,002	10,781	13,002	10,781
Restricted funds					
Blue Peter fund		249	591	249	591
Other restricted funds		224	509	224	509
	12	473	1,100	473	1,100
TOTAL FUNDS		13,475	11,881	13,475	11,881

The accounts were approved by the Council on 28 July 2005 and signed on its behalf by:


Council Member


Council Member

WaterAid

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £000	2004 £000
Net income for the year		1,594	2,343
Donated investments		(118)	-
Interest receivable		(377)	(214)
Depreciation of tangible fixed assets		440	318
(Increase) in debtors		(1,178)	(425)
Decrease in stock		2	-
Increase in creditors		1,328	981
Net cash inflow from operating activities		1,691	3,003
Return on investment and servicing of finance			
Interest received		377	214
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(522)	(421)
Management of liquid resources			
Purchase and sale of Treasury Deposits		(1,049)	(2,634)
Increase in cash		497	162

A. Analysis of cash as shown in the balance sheet

	2005 £000	2004 £000
Balance at 1 April 04	3,826	3,664
Net cash inflow	497	162
Balance at 31 March 05	4,323	3,826

This balance can be analysed as follows:

General – UK	2,971	2,973
General – Overseas	1,352	853
Balance at 31 March 05	4,323	3,826

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005**(1) Principal Accounting Policies**

The accounts have been prepared according to the Companies Act 1985 and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2000). A summary of the more important accounting policies of the charity, which have been applied consistently, unless otherwise stated, is set out below.

(a) Basis of Accounting

The accounts are prepared under the historical cost convention, except for investments which have been included at a re-valued amount. The Council considers that the descriptions used to analyse total expenditure as shown in the Consolidated Statement of Financial Activities are the most appropriate in order to present a true and fair view of the company's activities.

In accordance with the SORP we are required to include the net assets and results of overseas branches in the accounts. Accordingly, cash at bank and in hand includes overseas bank and cash balances, fixed assets include fixed assets used in the overseas programmes and debtors and creditors include balances in overseas programmes. No value has been attributed to stock held in country programmes for use in long-term development programmes.

Transactions denominated in foreign currencies are translated at the rate of exchange prevailing at the time of the transaction. Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date.

(b) Subsidiary Company

The charity has one wholly owned subsidiary WaterAid Trading Limited, which is registered in England. Consolidated accounts have been prepared on a line by line basis. The charity has taken advantage of the exemption set out in FRS8 not to disclose any transactions between the charity and the subsidiary.

(c) Branches and other Activities

The activities of the regional fundraising committees in England, Wales, Scotland and Northern Ireland raising funds for WaterAid are deemed to be part of the activities of the charity. As such, they are included in full in the financial statements of the charity.

The activities of the overseas branches have been included in the financial statements, as described in note 1(a) above.

(d) Income

Donations and Legacy income is recognised in the period in which WaterAid is entitled to receipt and where the amount can be measured with reasonable certainty. Donations include industry fundraising which is all income received from the UK water industry or its employees. Interest receivable is accounted for on an accruals basis.

Details of intangible income have been disclosed in note 1(h) below.

Deferred income represents grant income received before the year end which relates to agreed expenditure to be incurred during the next financial year.

Government grants are credited to incoming resources in the year in which they are receivable.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005**(e) Expenditure**

Staff and administrative expenditure is accounted for on an accruals basis. Funds made available for use on overseas projects, to cover expenditure on salaries, subsistence allowances, goods, equipment and services directly relating to these projects, are charged to the Statement of Financial Activities when amounts are expended by the project. Administration costs include administrative salaries, bank charges, depreciation on UK fixed assets, postage, printing and other support costs. Fundraising costs are those costs, including salaries, associated with building donor relationships. They include the costs of designing and printing appeal leaflets.

The majority of costs are attributable to specific activities. Administration costs are partially allocated across the other departments in proportion to numbers of staff in those departments or direct usage.

Irrecoverable VAT is expensed as it is incurred.

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay.

(f) Fixed Assets

All UK fixed assets costing more than £500 and all international fixed assets costing over £100 are capitalised. The cost of fixed assets which have been acquired and held in the UK and international programmes is their purchase cost, together with any incidental expenses on acquisition. Depreciation on these assets is calculated so as to write off the costs of the assets on a straight-line basis over the expected useful lives of the assets concerned. Leasehold improvements and furniture are depreciated over 5 years and all other assets are depreciated over 3 years.

Assets are verified periodically and written down if applicable.

(g) Investment

The investment represents the shareholding interest in the subsidiary and is valued at cost.

The shares are donated shares which must be held for over a year due to conditions placed on them. The shares, which are AIM listed have been included at a Trustee valuation. Any further changes in value will be charged to the SOFA as a gain or loss.

(h) Intangible Income

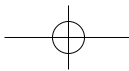
Goods, facilities and services donated for the charity's use, where the benefit is quantifiable and the goods or services would otherwise have had to be purchased, are recognised in the financial statements, as both income and expenditure, at a reasonable estimate of their value in the period in which they are donated.

(i) Pension Scheme Arrangements

Contributions to pension schemes for employees, all of which are defined contribution pension schemes, are charged to the Statement of Financial Activities as they fall due.

(j) Restricted Funds

These are funds that can only be used for particular restricted purposes within the objectives of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes. Unrestricted funds are funds which can be generally used by the charity without restriction.

**NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005****(k) Section 230 Exemption**

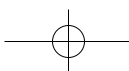
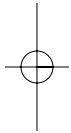
As permitted by Section 230 of the Companies Act 1985, a separate income and expenditure account dealing with the results of the Company only has not been presented. The parent company's net income for the year was £1,594,564 (2004 net income: £2,342,819).

(l) Operating Leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the SOFA as they fall due.

(m) Stock

Stock held at the year end is stated in the Balance Sheet at the lower of cost and net realisable value.



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(2) Donations, legacies and similar incoming resources

The company has benefited from free fundraising publicity in the form of leaflets inserted with customer bills by certain UK water companies, a reduced audit fee from the external auditors and certain rent free office space. These items have been included in the accounts as intangible income and expenditure, and are detailed below. Other intangible income which has been received has not been included because it is too difficult to value, but we acknowledge with thanks the use of office space by the regional fundraising staff, including office equipment and one leased car.

	Unrestricted £000	Restricted £000	Total 2005 £000	Total 2004 £000
Donations				
Committed giving	4,007	-	4,007	3,185
Legacies	1,132	25	1,157	1,285
Donations, appeals and fundraising events	8,342	1,895	10,237	8,987
	13,481	1,920	15,401	13,457
Gifts in kind				
Customer Appeal	140	-	140	140
Audit fee	23	-	23	22
Rent	70	-	70	70
	233	-	233	232
Total	13,714	1,920	15,634	13,689

(3) Grants Receivable

	2005 £000	2004 £000
Department for International Development	2,779	1,541
European Commission	826	1,298
The Big Lottery Fund	72	361
Dutch Ministry of Foreign Affairs	482	349
UNICEF	147	231
USAID	109	12
World Food Programme	60	-
Other	588	353
Total	5,063	4,145

Other grants include income from the British Embassy, JICA, DANIDA, International Trachoma Initiative, PDAN, Comic Relief and Water for People.

WaterAid acknowledges with thanks our two grants for Ethiopia and Zambia of £57,155 and £78,250 respectively from The Big Lottery Fund (formerly the Community Fund). Funds were also received for India, but a refund was made to the Big Lottery after the year end, and a further repayment has been provided for, there is a net repayment of £62,970 for India to the Big Lottery Fund.

(4) Investment income and interest

	Unrestricted £000	Restricted £000	Total 2005 £000	Total 2004 £000
Bank interest	344	33	377	214
Rental income	-	-	-	15
	344	33	377	229

(5) Total resources used – other disclosures

	Note	Staff Costs £000	Other costs £000	Deprec- iation £000	Total 2005 £000	Total 2004 £000
Direct charitable expenditure:						
Overseas programmes	6	1,859	9,061	382	11,302	9,003
Overseas support		717	695	-	1,412	930
Public Policy and Education		413	440	-	853	661
Development Awareness		88	176	-	264	265
Administration		200	278	58	536	374
		3,277	10,650	440	14,367	11,233
Cost of generating funds:						
Fundraising		1,335	3,610	-	4,945	4,352
Publicity		140	169	-	309	235
Trading company expenses		32	57	-	89	158
		1,507	3,836	-	5,343	4,745
Total		4,784	14,486	440	19,710	15,978

The average number of persons employed by WaterAid in the UK (including overseas staff with employment contracts issued in the UK but excluding Council Members, volunteers and temporary agency staff) during the year was 106 (2004: 89). The number of staff employed overseas was 289 (2004:268). Employment costs of all employees including those in the overseas programmes comprised:

	2005 £000	2004 £000
Staff costs:		
Gross wages and salaries	4,375	3,454
Employer's national insurance	264	218
Other pension costs	145	130
	4,784	3,802

One employee earned between £60,000 and £70,000 and three employees earned between £50,000 and £60,000 in the year to 31 March 2005. (2004: One between £60,000 and £70,000 and 3 between £50,000 and £60,000).

Expenses of £13,035 were reimbursed to four Council Members in the year to 31 March 2005 in respect of travel and accommodation. (2004: £4,985 was paid to two Council Members for travel expenses). No Council Member received any emoluments in the year to 31 March 2005 (2004: nil).

Trustee Liability insurance at a cost of £14,437 was purchased for the year, (2004: £10,710). This insurance indemnifies the trustees or other officers against the consequences of any wrongful acts on their part and protects the charity from loss arising from any neglect or default of its trustees, officers or employees.

(6) Overseas Programme Expenditure

	Unrestricted	Restricted	Total	Total
	£000	£000	2005	2004
	£000	£000	£000	£000
West Africa				
Ghana	587	434	1,021	722
Nigeria	454	396	850	587
Mali	343	97	440	153
Burkina Faso	337	147	484	182
	1,721	1,074	2,795	1,644
East Africa				
Ethiopia	373	572	945	756
Uganda	173	575	748	533
Tanzania	192	1,131	1,323	1,241
Madagascar	48	182	230	294
	786	2,460	3,246	2,824
Southern Africa				
Zambia	172	421	593	497
Malawi	173	173	346	322
Mozambique	670	390	1,060	771
	1,015	984	1,999	1,590
Asia				
India	583	338	921	1,336
Bangladesh	87	1,542	1,629	866
Pakistan	65	1	66	51
Nepal	554	92	646	692
	1,289	1,973	3,262	2,945
Total	4,811	6,491	11,302	9,003

(7) Expenditure by partner organisation

Payments made as part of the overseas programme expenditure are often made via partner organisations for the charitable work. As these are paid under contracts, they are not treated as grants. A list of the 10 major partner organisations and the amounts of WaterAid funds spent through them is given below for information:

	£000
NEWAH, Nepal	377
VERC, Bangladesh	305
Ethiopian Orthodox Church, Ethiopia	290
Green Hill, Bangladesh	210
WaterAction, Ethiopia	164
New Energy, Ghana	157
NGO Forum, Bangladesh	151
DSK, Bangladesh	141
APDO, Ghana	131
UST, Bangladesh	121

(8) Tangible Fixed Assets - Group and Charity

	Motor Vehicles	Leasehold Improvements	Fixtures, Fittings and Equipment	Total
	£000	£000	£000	£000
Cost				
At 1 April 2004	1,032	72	1,099	2,203
Additions	277	-	245	522
Disposals	153	-	92	245
At 31 March 2005	1,156	72	1,252	2,480
Accumulated Depreciation				
At 1 April 2004	855	72	843	1,770
Charge for the year	212	-	228	440
Depreciation on disposals	153	-	92	245
At 31 March 2005	914	72	979	1,965
Net Book Value at 31 March 2005	242	-	273	515
Net Book Value at 1 April 2004	177	-	256	433

(9) Investments

	2005	2004
	£	£
Unlisted investment in subsidiary	2	2
Shares	90,000	-
	90,002	2

The company's unlisted investment with a historic cost of £2 represents its 100% shareholding in WaterAid Trading Limited. WaterAid Trading Limited is a company registered in England, which sells Christmas cards and other goods and undertakes licensing agreements. A summary of that company's financial position is set out below.

The shares are donated shares which must be held for over a year due to conditions placed on them. They are valued by the Trustees.

(a) Profit & Loss Account - WaterAid Trading Ltd

	2005	2004
	£000	£000
Turnover	228	258
Cost of Sales	(40)	(111)
Gross Profit	188	147
Selling & Administrative expenses	(48)	(47)
Operating profit	140	100
Interest receivable	2	1
Interest payable	(1)	-
Profit before deed of covenant	141	101
Deed of covenant to WaterAid	(141)	(101)
Retained Earnings	£nil	£nil

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(b) Balance Sheet - WaterAid Trading Ltd

	2005 £000	2004 £000
Current Assets		
Stocks – goods for resale	3	5
Debtors	124	45
Short term investments	56	-
Cash at bank & in hand	12	91
	195	141
Creditors		
Amounts due within one year	(195)	(141)
	-	-
Represented by:		
Share Capital	-	-

(10) Debtors

	Group		Charity	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts due from subsidiary	-	-	168	123
Gift Aid tax recoverable	310	102	310	102
Accrued income	1,948	1,093	1,948	1,093
Prepayments	72	57	72	57
Other debtors	185	85	61	40
	2,515	1,337	2,559	1,415

All of the above amounts are due within one year of the balance sheet date.

(11) Creditors:**(a) Amounts Falling Due Within One Year**

	Group		Charity	
	2005 £000	2004 £000	2005 £000	2004 £000
Accruals	120	38	120	33
Deferred income	490	221	490	221
Tax and Social Security	74	67	74	67
Purchase Ledger	885	702	885	702
Other creditors	483	71	456	58
	2,052	1,099	2,025	1,081

(b) Provisions

Provisions	525	150	525	150
	2,577	1,249	2,550	1,231

Deferred income relates to grants received in the year to 31 March 2005 relating to expenditure for future periods. The movement in deferred income included with creditors relates to £221,418 released from the previous year and £490,203 incoming resources deferred in the year.

Provisions include amounts set aside to cover possible office building lease dilapidations, repayments to funders which may need to be made regarding the Indian investigation and a potential repayment of over-claimed tax.

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(12) Movement on Funds

	Balance 31 March 2004	Incoming Resources	Resources Expended	Balance 31 March 2005
	£000	£000	£000	£000
Restricted Funds:				
Department for International Development	34	2,016	2,039	11
European Commission	186	826	1,114	(102)
The Big Lottery Fund	87	72	178	(19)
Other public funding	195	1,108	973	330
Blue Peter Appeal	591	33	375	249
Other restricted funds	7	1,992	1,995	4
Total restricted funds	1,100	6,047	6,674	473
Accumulated funds	10,781	15,257	13,036	13,002
Total	11,881	21,304	19,710	13,475

Restricted funds of £473,000 represent unspent monies received from donors subject to conditions specified by them. These funds may arise because of restrictions on their use required by the donor at the time of receipt (for example grants from the Department for International Development, the European Commission, Community Fund etc), or because the funds were collected in a public appeal to raise money for a particular purpose (for example funds for the Blue Peter Appeal).

Other restricted funds include grants from other governments and organisations, most of which were received and spent within the year.

(13) Analysis of Net Assets Between Funds

	Tangible Fixed Assets £000	Net Current Assets £000	Total £000
Restricted Funds	-	473	473
Unrestricted Funds	605	12,397	13,002
Total Funds at 31 March 2005	605	12,870	13,475

(14) Pension and Similar Obligations

WaterAid makes contributions to legally approved defined contribution pension schemes of each of its UK employee's choice up to a maximum of 10 per cent of the employee's annual salary provided the employee makes a contribution of up to 5 per cent. Expatriate employees working overseas receive an amount equivalent to 10 per cent of their salary for investment in a pension scheme of their choice on their return to the United Kingdom.

The pension cost for the year amounted to £144,851 (2004: £129,920).

(15) Taxation and Charitable Status

WaterAid is registered as a charity under the Charities Act 1960 and claims exemption from direct taxation on its charitable activities.

(16) Company Limited by Guarantee

The liability of the members of the charity is limited by guarantee to £1 each.

(17) Commitments

At 31 March 2005, the group had annual commitments under non-cancellable operating leases as follows:-

	2005 Land and Buildings £000	2004 Land and Buildings £000
Expiring in less than one year	190	
Expiring within 2 years		96
Expiring after more than 5 years		94
	<hr/> 190	<hr/> 190

A lease, which was stated as expiring after more than 5 years in the March 2004 financial statements has been restated for that year because a breakpoint will now be used and the lease will be terminated within 1 year from 31st March 2005.

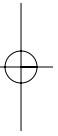
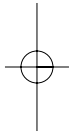
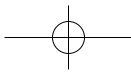
WaterAid is contractually committed to making payments to overseas partner organisations if pre-determined conditions are met. The volume of such commitments has not been quantified because, in the Council's opinion, the time and effort to identify them would exceed the benefits from such disclosure. Budgeted overseas programme expenditure and grants for the financial year 2005/06 amounts to £15,572,000 (2004/05: £14,626,000).

(18) Net Income

Net income is stated after charging:-

	2005 £000	2004 £000
Depreciation charge for the year: Tangible owned fixed assets	440	318
Auditors' remuneration for:		
Audit – company	19	15
Audit – subsidiary company	5	5
Audit – overseas	127	-
Hire of land and buildings - operating leases	190	190

The auditors provide their services for the audit of the charity at a significantly discounted rate. Had a commercial audit fee been charged it is estimated that this would have involved an additional amount of £22,880. (2004: £22,000).



WaterAid acknowledges with thanks
the ongoing support from:

