

2017

10

UK annual report
and financial
statements



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We are sparking chain reactions and helping millions of people, but solving the water crisis needs more urgency.

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Strategic report

We report back on our progress against the five priorities we set ourselves for the year.



Direct reach

To directly reach 1 million people with clean water, 1.2 million people with decent toilets, and 1.7 million people with good hygiene.

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Country programmes

To deliver high quality programmes in line with our four strategic aims to directly, and indirectly through our influencing work, reach more people with clean water, decent toilets and good hygiene, helping to achieve Goal 6 of the Global Goals for Sustainable Development: water, sanitation and hygiene for all by 2030.

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Front cover: Main image: Matu from Tombohuaun, Sierra Leone. Bottom image: Students at Group Scholaire Nkange, Rwanda. Small image: Laiba and her classmate washing hands at school in Gudab town, Pakistan.

Top right: Ruqqa (second from left) with her grandmother, Gori, and two sisters in Allah Sajan Khaskheli, Pakistan. Below: Sharon washes the floor at St Mary's School, Namalu, Uganda.





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Healthy start campaign

To secure concrete commitments from health and nutrition decision makers to improve the health and nutrition of newborns and infants by integrating clean water, decent toilets and good hygiene into health facilities.

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Fundraising and finance

To raise between £80-£85 million, with 60% as 'unrestricted' income; To spend between £81-£86 million; To recruit 35,900 new regular givers.

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Our people

To develop the skills we need to deliver our strategy, including the ability to maximise the use of digital technology, leadership skills and specialist technical skills. We will maximise the potential of all WaterAid staff and maintain our extremely high levels of employee engagement.

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Sparking chain reactions

We are delighted to report back on another year in which together we have helped millions of people with clean water, decent toilets and good hygiene. Without all three, people cannot live dignified, healthy lives. With them, they can unlock their potential, and break free from poverty.

It is hugely satisfying to see first-hand how, by working directly with communities to install clean water and decent toilets, and to improve hygiene, we help them transform their lives. This vital aspect of our work not only provides direct benefit but also keeps us connected to the people we serve, and allows us to test and prove new approaches. For an even bigger impact, we actively promote these approaches for others to use.

To make such transformations normal for everyone, everywhere by 2030, we also work with and influence others – especially governments, businesses and civil society organisations. This means we can spark chain reactions that secure greater improvements than we could achieve by ourselves. Strengthening institutions, providing models for others to replicate, and advocating for changes in policy and practice all lead to more people benefitting from clean water, decent toilets and good hygiene than if we acted alone.

One great example of where this approach is reaping dividends comes from Mali. Here we ran a programme over three years to integrate water, sanitation and hygiene into 23 health care facilities with a combined catchment of over 1.8 million people. We then produced good practice guidelines based on the experience, in partnership with the Ministry of Health and World Health Organization. Other partners are using these to improve another 450 facilities across the country, out of a total of 1,100. Read more on page 17.

Combining direct delivery with this kind of collaboration and influencing is the thrust of our global strategy. Its four aims are outlined on the right. In fact, we are so convinced this is the correct approach that we have extended our strategy to guide us for a further two years, to 2022.

We hope you are proud of all we are achieving together. The commitment and determination shown by our individual supporters, the UK water industry, our partner institutions and companies, and governments, are both humbling and inspiring. They make all our work possible. We simply could not do it without you. Thank you.



Tim Wainwright
Chief Executive

Tim Clark
Chair of Trustees



From left: Chief Executive Tim Wainwright and Chair of Trustees Tim Clark: combining direct delivery with collaboration and influencing is the thrust of our global strategy, and is reaping dividends.

A crisis needing more urgency

We have many success stories to share. From individuals, through small communities, towns and cities, to entire countries taking huge leaps forward. Since 2000, 1.4 billion people have gained access to clean water, and 1.4 billion to decent toilets.¹ The world as a whole is making progress.

But it is nowhere near fast enough. Around 289,000 children under five die every year from diarrhoeal diseases caused by poor water and sanitation. That is almost 800 children a day, or one child every two minutes.² Clean water, decent toilets and good hygiene not only improve people's health, education and work prospects, they save lives.

At our current pace, everyone in low- and middle-income countries will only have safely managed water by 2064, and safely managed sanitation by 2107.³ This is a crisis, and we are committed to elevating the global attention paid to it, to ensure faster progress.

Achieving our vision: our strategic aims

To have the greatest impact, we share the same global strategy with six other national members of the WaterAid federation. They are in Australia, Canada, India, Japan, Sweden and USA.

Together we focus on:

Equality

We will tackle and challenge the inequalities that prevent the poorest and most marginalised people from realising their right to safe water, sanitation and hygiene.

Sustainable services

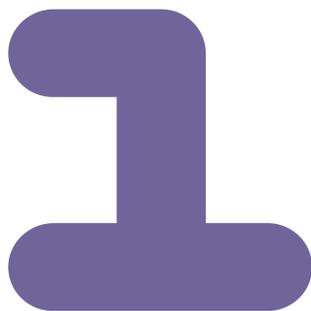
We will support governments and service providers to strengthen the systems and capabilities required to deliver sustainable water, sanitation and hygiene services.

Integration

We will work with others to develop plans and activities that accelerate change by integrating water, sanitation and hygiene into sustainable development.

Hygiene

We will positively influence hygiene behaviour to maximise the benefits of access to safe water and sanitation.



Our impact at a glance

Together with our partners we exceeded all three of our targets on the number of people who directly benefited from our work installing clean water and decent toilets, and promoting good hygiene, in their homes, schools and health care centres.

We also indirectly benefited millions more by influencing and strengthening the policies and practices of governments, businesses and civil society organisations, so that we can spark lasting change on a bigger scale.

We advocated strongly for the Sustainable Development Goals on water, sanitation and hygiene, and are early adopters of the new counting standard for people to gain access to them. This is a much higher standard and is championed by the Joint Monitoring Programme, which is tasked with reporting on global progress towards everyone, everywhere having clean water and decent toilets by 2030.

We are determined to make the biggest contribution we can to the Sustainable Development Goals, especially Goal 6 – water, sanitation and hygiene for all by 2030. This means that, while we will always carry out work directly with the poorest communities, our direct reach figures only tell part of the story.

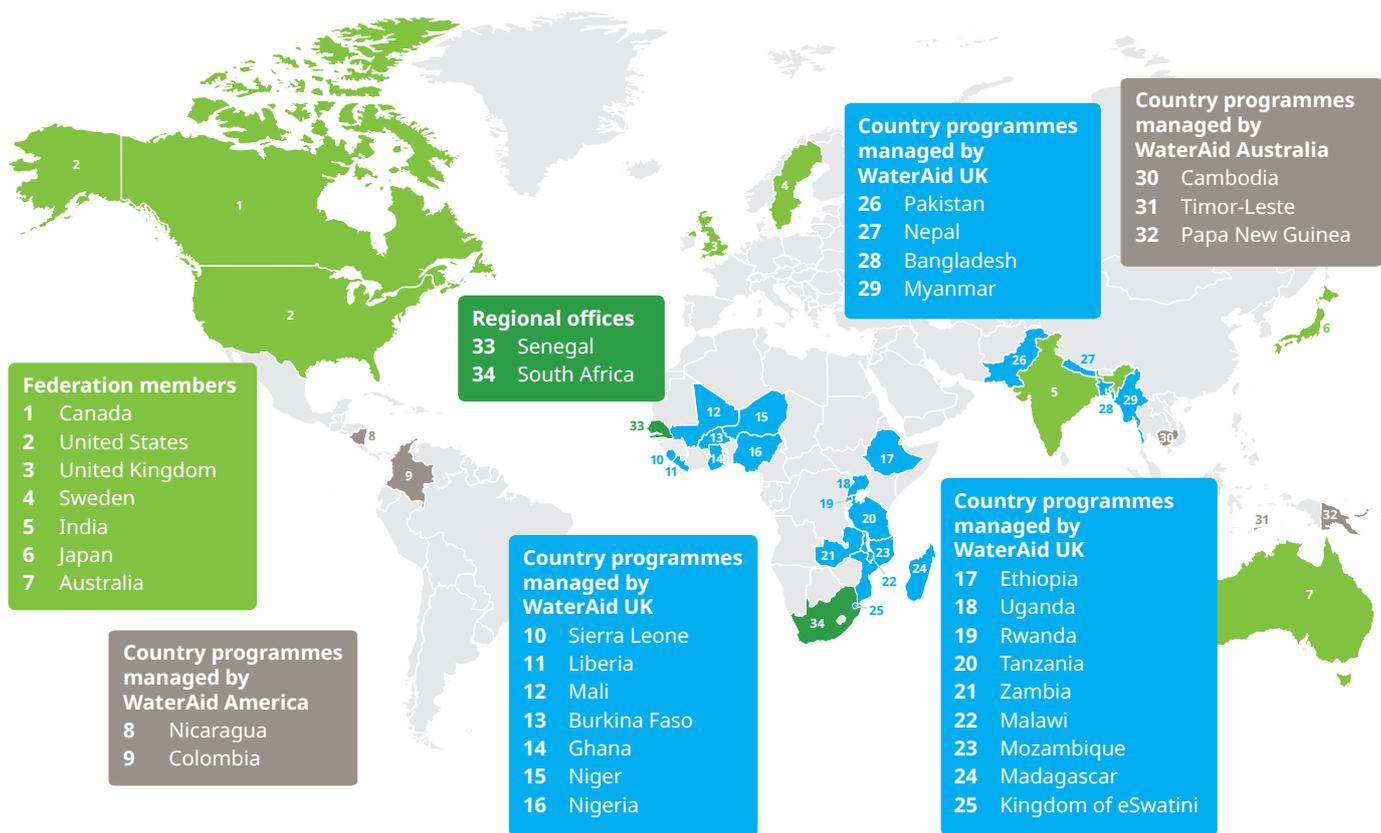
We make lasting change happen on a bigger scale for many more people by:

- convincing governments to change laws and policies
- strengthening service providers' capacity
- changing attitudes and behaviours
- pooling knowledge and resources
- rallying support from people and organisations around the world.

Along with other international non-governmental organisations, we are currently developing our own method of recording our impact on people who benefit from clean water, decent toilets, or good hygiene through the activities above. This is a challenging area of measurement, where there is little precedent, but we are committed to establishing appropriate measures in this area for our future reports.

We made good progress on this last year and already, in addition to our direct reach numbers, we can report that we:

- influenced 14 national policies, strategies or standards
- improved the management of water services in 26 public utilities
- strengthened the management capacity of 84 rural districts so they are better able to deliver clean water, decent toilets, or good hygiene to their constituents.



People we reached directly in 2017-18¹

To reflect the full extent of our work, for the first time we show how our total direct reach figures split across households, schools and health care centres (right). We are delighted that the totals for our three key areas of work – clean water, decent toilets and good hygiene – exceeded the targets we set ourselves.

Not only do we directly manage programmes in Africa and Asia, we support and finance other members of the WaterAid federation, with the largest recipient being WaterAid India. In addition to the direct reach figures for the federation shown right, WaterAid India has helped hundreds of thousands of people claim their rights to clean water and decent toilets, with the direct provision of services and facilities funded by government rather than WaterAid.

	Clean water	Decent toilets	Good hygiene ²
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WaterAid UK¹

Household	293,000	393,000	985,000
Schools	103,000	119,000	151,000
Health care centres	961,000	844,000	950,000
Total	1,357,000	1,356,000	2,086,000

WaterAid federation (including UK)¹

Household	321,000	405,000	1,433,000
Schools	148,000	151,000	198,000
Health care centres	971,000	868,000	950,000
Total	1,440,000	1,424,000	2,581,000

2. People reached either through facilities or sustained promotion. Hygiene promotion numbers are estimates of people reached with hygiene promotion messages at least three times in a year through local marketing campaigns in communities, in schools and via local health services.



Ensuring equality

We are determined to reach everyone, whatever their gender, age or ability. Water and sanitation are human rights; it is each UN Member States' duty to ensure everyone can claim them equally, but so far not all are fulfilling it.

We and other organisations are increasingly understanding and addressing why people do not have these services. We are also supporting them to engage with governments to make decent facilities normal for everyone. But slow progress and weak accountability mean millions of people are still being left behind.

Empowering people to claim their rights, and holding governments responsible for addressing discrimination, brings long-term changes in attitudes, policies and laws. We are working to change and strengthen systems so that everyone's rights are fulfilled, forever.

● **With the Global Water Operators Partnership Alliance**, we began supporting Uganda's National Water and Sewerage Corporation to mentor two Zambian utilities in management, finance and technology. The strengthened utilities will improve water, sanitation and hygiene services for marginalised poor people in Zambia's growing urban centres.

● **In Debre Tabor, Ethiopia, we made sure 410 more households** now have water, and at cheaper rates previously only available to wealthier residents. Through our Twenty Towns project we linked service providers with the town's customer forum, who supported poor households to jointly fund installing shared taps. See page 11 for more.

● **In Burkina Faso we worked with local authorities**, utilities and companies to bring sanitation and hygiene services to 80,400 people in Ouagadougou. This included disabled people, among others who are poor and marginalised.

● **Working with Plan International and Unicef**, we researched and created guidance on how to reach people in the most remote areas of the world. Our guidance will help policy-makers to design, fund and build services that will work best in their context.

Education for all

Over three and a half years we made it easier for more than 59,000 girls in 196 schools in Nepal and Pakistan to stay and succeed in education, by ensuring they can manage their periods at school with dignity. Before our DfID UK aid match-funded programme to improve facilities in Nepal, 92% of girls reported missing at least one day of school in the past three months because of menstruation. After, this had plummeted to 23%.





WaterAid/Mani Karmacharya

Involving young disabled women

Organisations helping disabled women and girls to improve their menstrual hygiene usually focus on making sure water, sanitation and hygiene are physically accessible. This is important but does not go far enough to benefit everyone. So, in a unique project funded by the Gates Foundation, we teamed up with the London School of Hygiene and Tropical Medicine to understand the particular challenges that young disabled women face in Nepal.

Findings showed that people with intellectual impairments have particular difficulties, and that their carers have no guidance or support. Not knowing how to manage their periods with dignity leads to feelings of despair. Using the research findings, we developed an intervention so that the women could manage their periods more independently, and to help their carers support them. Having broken this new ground, we will next test the package and share the insights, to benefit women globally.



WaterAid/Mani Karmacharya



WaterAid/Mani Karmacharya

Girls such as Anuradha (top) and her friends (left) at Janata Higher Secondary School in Golbazaar, Nepal, have benefited from work to improve menstrual hygiene management. The girls say: "When we have menstruation going on, in the past we would have to leave school and go home. But now the absenteeism has gone down."

Empowering women through business

In Mali we are supporting 11 women's groups to build businesses related to water, sanitation and hygiene. In one group, led by Ruth Diallo, shown right, we trained 30 women in business skills, and provided micro loans for producing shea soap. The industry is improving their livelihoods, as well as the community's hygiene.



WaterAid/Guilhem Alandy



Making services sustainable

To make a lasting difference, clean water, decent toilets and good hygiene have to remain a normal part of daily life long after being introduced. This takes the right skills and financing, strong utilities and supporting systems, and tried and tested behaviour change approaches.

Recognition is growing of the need to invest in these areas, but action has been slow. Too many other organisations simply build facilities and hand them to communities without ensuring they can be maintained. Facilities break and people return to unhealthy habits.

By strengthening every part of the systems involved, from the national to the local and adapting to each context, we make sure communities feel the benefits long after we have gone.



Built to last

We examined 600 hand pumps and boreholes installed by government and other organisations in Uganda, Ethiopia and Malawi. We worked with the British Geological Survey, Overseas Development Institute, University of Sheffield and local universities and governments, to investigate why they sometimes stop functioning. Finding poor implementation to be the main problem, we published clear guidelines to help service providers design and build high quality, lasting facilities.

Debre Tabor town is one of 20 in Ethiopia to benefit from a strengthened water utility. Utility staff include Tenalem Belachew (Electrician, top), Aregashe Addis (Store Officer, above), and Muluken Wondirad (Utility Manager, right).

● In the Kingdom of eSwatini we are mapping water points by working with the Government and communities, who regularly report by SMS how well they are working. The Government will use the data to provide lasting services.

Creating model towns

In 2014 we began a project with Yorkshire Water, linking their experts with utilities and municipalities in 20 Ethiopian towns. It strengthened the utilities' ability to deliver improved and lasting services to the towns' nearly one million residents. Since then, the team has shared valuable skills including leak management, water testing and customer billing.

This year we reviewed approaches so far. We found that relatively small, targeted investments into strengthening systems can substantially improve service efficiency, effectiveness, accountability and sustainability, and reach more people for longer, with less wastage. This means they will be more financially independent and likely to keep services going after we have left.

Involving regional and national water bureaus and forums in training and reviews means other towns benefit too. Some become models, which other utilities visit to learn from. And there is high demand to scale up the project, to make well-run services normal for everyone in Ethiopia.



WaterAid/Behailu Shiferaw



WaterAid/Behailu Shiferaw



WaterAid/Behailu Shiferaw

● **In 1994 we set up innovative community-run Rural Water Boards** in Ethiopia to manage multi-village water systems. Our review found that they have sustained and expanded services, providing positive lessons for establishing more community-managed systems to enable lasting change.

● **We built 384 new waterpoints across Madagascar**, reaching 90,000 people with clean water. We strengthened local authorities and trained technicians, masons and community agents to maintain and manage the points, to keep the services working for good.

● **Since 2015 our co-compost plant in Sakhipur, Bangladesh**, has been turning toilet waste into a valuable resource. This year it turned 990 tons of waste into 22 tons of compost, and attracted government interest as a model solution to sewage challenges.

Funding sustainability

In April 2017 we began a three-year programme to build sustainable water, sanitation and hygiene services in Pakistan, Uganda, Ethiopia and Cambodia, funded by the H&M Foundation. We are analysing services and their costs so that governments can plan investments that will ensure services last.

So far we have developed tools with government officials, businesses and communities to assess and overcome problems with services. Working together means they are more likely to use the tools – and are already doing so.

Right: Ensuring sustainability of services means women such as Zainab can stay healthy and earn a living.



WaterAid/Sibtain Haider



Effective integration

The challenges marginalised people face cannot be separated into isolated issues – so neither can the solutions.

Without the essential foundation of clean water, decent toilets and good hygiene, people cannot enjoy other human rights. To reach global goals on any of them requires tackling them together.

By integrating plans and policies between different sectors, such as health, nutrition and education, we can make a bigger difference. Despite growing interest in this though, governments are rarely integrating work across sectors. Opportunities are being missed, and progress restricted.

Leaders need proof that integration works, so we are sharing evidence from our work and beyond, to influence change at local and global levels.

Inclusive school facilities

We produced guidelines for building water, sanitation and hygiene facilities in schools that all students and teachers can use, whatever their gender or ability.

Drawing on our experiences from five countries, they will help our staff and partners across the world to build and advocate for sustainable facilities that will help everyone stay in school.

Deliver Life in Malawi

Our Deliver Life project is improving health care centres, schools and communities in Ethiopia, Malawi and Rwanda with clean water, decent toilets and good hygiene. The project is funded by UK aid from the British people.

During the past two years we improved services for over 80,000 people. Last year, working with health ministries, we transformed facilities in 15 health care centres, reaching patients, staff and people living nearby. In Malawi 3,880 women came to these centres for a safe, dignified birth in a clean environment – many more than before.

Together with Malawi's Ministry of Health through the Quality Management Directorate, we began supporting health care centres to prevent and control infections and disease transmission. We trained and mentored health workers, including support staff like cleaners, on topics including hand hygiene and waste management.

In each country we are linking national and regional government bodies, helping to coordinate and integrate work related to health, water, sanitation and hygiene to make a bigger difference.





WaterAid/Dennis Lupenga

Above: Midwife Rhoda Mphambala at the Katimbila Health Centre, Malawi, where Veronica Makiyi and husband Makiyi Phiri had their first son, below. "I get so excited when I successfully help a mother deliver a baby. It pleases me to see both doing well," says Rhoda.



WaterAid/Dennis Lupenga

During the cholera outbreak in Lusaka, Zambia, we worked with the Government promoting good hygiene in the city's worst affected areas. Combined with a vaccination programme, this helped to stem the spread of the disease.

In Mali we joined with the World Health Organization to help revive a national taskforce to improve hygiene in hospitals and clinics. By encouraging better collaboration and integration across the health and the water, sanitation and hygiene sectors, the taskforce will help health care centres to be as clean as everyone should expect.

In Bangladesh we helped make sure the draft project plan for the national school-based adolescent health programme prioritised menstrual hygiene management.

Driving sustainable change to reach everyone for good means working collaboratively and sharing expertise. We launched WASH Matters, our online hub for practical detail and analysis from our experts, to share knowledge to improve work globally. See washmatters.wateraid.org

Action on cholera

At the World Health Assembly we co-hosted an event with the Global Taskforce on Cholera Control, the Gates Foundation and Gavi, the Vaccine Alliance. We highlighted how sectors need to work together to tackle the growing public health threat of cholera.

Our meeting rallied countries and partners to create a global roadmap to reduce cholera deaths by 90% by 2030 through stronger partnerships across health and water, sanitation and hygiene sectors. The plan calls for governments to prioritise prevention by making clean water, decent toilets and good hygiene – alongside quality health care and vaccinations – normal for everyone.



WaterAid/Chileshe Chanda

Left: Marriam, aged 9, survived cholera following an outbreak in Lusaka, Zambia, in late 2017.

2 Improving hygiene

We welcome the increasing global attention being paid to hygiene. However, this has focused mostly on handwashing with soap, when people benefit more by combining this with food hygiene, staying clean during their periods, and keeping homes and hospitals clean.

This takes more than adequate facilities – hygienic habits are essential. And changing behaviours is hard. But growing evidence shows that behavioural psychology approaches work better than traditional one-off hygiene lessons.

Our experience also demonstrates what is needed to make it normal for everyone, everywhere to practise good hygiene. Integrating a package of interventions, including evidence-based hygiene promotion with water and sanitation improvements, and with health, nutrition and education policies, is key.

Right: Mandari Bitalu and her two-year-old daughter Sarita in Jajarkot, Nepal. Mandari says that after attending a hygiene class: “I do not catch fever, headache, other diseases much, flies do not contaminate food, children’s health is good.”

● **In Pakistan we continued our five-year nationwide campaign** to improve hygiene behaviours. This year we influenced the Government to include content on hygiene in the primary school curriculum, so that young children across the country will learn healthy habits.

● **In Nigeria we helped develop a national action plan** that will ensure improvements to school sanitation facilities. These will enable girls to manage their periods with dignity, and feel confident to stay in school all month.



Talking periods to power

We worked with the Shorno Kishoree Network Foundation, a network of 5,000 adolescent girls across Bangladesh, to organise local events and national conversations with doctors around menstrual health. A special programme on girl-friendly toilets and proper menstrual hygiene management in schools featured adolescent girls, teachers and local government officials. The network enabled the girls to learn and speak openly about menstrual health, and brought national attention to the challenges girls face staying healthy in school.

● **We supported South Africa's Department of Health** to hold its first Hygiene Symposium, where it launched its National Behaviour Change Strategy. The Symposium will help us influence other countries in the region to develop their own strategies to improve hygiene.

● **In Mali we began a programme with local artists** to promote healthy hygiene behaviours. The artists, who are respected and influential locally, created community theatre, role plays and pictures to demonstrate key behaviours and motivate over 10,000 people to adopt healthy habits.



Left:
Handwashing with soap is just one activity promoted at immunisation clinics in Nepal.

26 times more hygiene in Nepal

This year our ground-breaking initiative with the Government of Nepal to promote hygiene to parents at immunisation clinics completed its test phase, showing significant improvements in the districts where we worked. We trained health care workers and volunteers to motivate tens of thousands of mothers to practise exclusive breastfeeding, handwashing with soap, food hygiene, water treatment and faeces management.

The proportion of mothers or caregivers practising good hygiene habits increased from 2% to 53% after one year, and cases of diarrhoea dropped from 15% to 5%. Immunisation coverage and health workers' skills also improved.

The initiative was so successful that Nepal's Ministry of Health will expand it nationally alongside a new vaccination programme. The health benefits for people in Nepal will be far-reaching. And, by sharing our experiences widely, we will improve the health of millions more parents and children worldwide.

Creative motivation

In Madagascar, Malawi, Mozambique and Bangladesh we researched and designed creative hygiene promotion campaigns for use at local level. Together with governments we designed different packages for communities, schools and health care workers, so they are more likely to motivate people to healthy habits.



A healthy start for children

Without clean water and decent toilets, hospitals and clinics cannot be hygienic. Diseases spread fast, damaging newborns and children for life.

Many governments have now committed to ensuring health care centres have these basic facilities. But most have acted slowly, neglecting to allocate funding or integrate water, sanitation and hygiene with health and nutrition policies.

More than one in three health care facilities in developing countries still do not have clean water, almost one in five lack decent toilets, and one in three have no soap.

Our global campaign is showing the difference that working together makes, pushing for faster change through better coordination, integration and investment. Together, we are improving the health of babies and children.



Setting standards

Together with the Tanzanian Government we co-launched new national guidelines on water, sanitation and hygiene in health care facilities. The guidelines set standards and include technical guidance to help government and health care workers make sure their centres meet them. We presented our work at the International Confederation of Midwives global congress, reaching 4,000 health professionals and policy-makers from over 100 countries.

● **Our influencing led the Government of Madagascar** to include water, sanitation and hygiene in its national action plan for nutrition. The plan's target is to cut the proportion of children under five who are stunted from 47% to 38% by 2020, by decreasing malnutrition.

● **In Malawi we became a member of the Government's new** Technical Working Group on Anti-Microbial Resistance. This opens up great opportunities to advocate the importance of hygiene in preventing the spread of this major threat to global health.

Hygienic health care centres

In Mali we installed clean water and toilets and improved hygiene in 11 hospitals and clinics with a combined catchment of over 156,000 people. With funding from the Conrad N. Hilton Foundation, we worked with the Ministry of Health and Public Hygiene, and in collaboration with the Centers for Disease Control, World Vision and World Health Organization.

We know every context differs, so first we studied the facilities already



WaterAid/Guilhem Alandry

present. Then, as well as installing clean water and toilets, we showed health care staff how to promote hygiene and safely manage medical waste – because being hygienic is as much about good habits as good facilities.

To ensure improvements last, we trained local committees to manage health care systems. We helped the Government establish a national group to coordinate and share local teams' work. We also trained journalists to talk about hygiene and health, helping people learn that clean health care centres are their right. And finally, we wrote guidelines based on our experiences, which other partners are using to improve almost half of the country's facilities.

All images: In Mali we directly improved services in centres such as Diaramana Health Centre, where Oumou Traore is Matron (on right of main image). With Oumou is Fatoumata Sogoba, who is attending for a consultation.

● **In December the Prime Minister of Japan** hosted the first global Universal Health Coverage Forum, in Tokyo. Our advocacy resulted in him highlighting how water, sanitation and hygiene are vital to achieving universal health coverage, which could help deliver crucial financing.

● **Staff from five countries worked together** to convince the African Development Bank of the importance of water, sanitation and hygiene to nutrition. This led to them contributing to the Bank's forthcoming multi-sectoral nutrition action plan.

Influencing nutrition

By sharing case studies and research we have substantially increased awareness of water, sanitation and hygiene as crucial to ending malnutrition. Together with the Scaling Up Nutrition Movement and the Sanitation and Water for All partnership, we showcased progress at two major conferences, demonstrating to decision makers what integration can achieve. One of our case studies featured in the influential *Global Nutrition Report*, and our co-authored report, *The recipe for success: how to end malnutrition* was well received.

4

Our supporter community

Our supporters go to incredible lengths for clean water, decent toilets and good hygiene. By making these services normal for communities around the world, you and more than 650,000 others bring joy and new futures to millions of people. Here are just a few of the things you did this past year – thank you.



Untapped raises over £8 million

Last winter, our Untapped campaign told the story of Tombohuaun, a small village in Sierra Leone, and its journey to clean water, decent toilets and good hygiene.

It was our biggest appeal to date, and we asked more supporters than ever to get involved. We found innovative ways to connect you to people living in Tombohuaun, through our chat bot, name generator and photo diaries. And our partners amplified the message: Andrex reached 1.25 million people through cash machine advertising and their website, and ethical water company Belu, their filter customers and D&D London, reached almost two million people, while raising over £40,000.

Our supporters exceeded all expectations – and UK aid from the UK Government matched all eligible donations. Together, you raised a total of £8.2 million, enough to reach 250,000 people in Tombohuaun and other communities just like it. From all of us, a huge thank you.



WaterAid/Nana Kofi Acquah

Above: Kokoyeh, Nancy, and Lucy play with clean water as their way of celebrating the new water pump in Tombohuaun, Sierra Leone. Together we're helping people break out of poverty – but there is still a lot to do.

● More than 27,000 Scouts and other young people took part in a Walk for Water for World Water Day 2018. Their actions raised awareness of the millions of women and girls who spend hours each day walking to collect water.



WaterAid/Laura Summerton

Left: Volunteers Vicky and Gemma enjoy promoting our appeal, The Water Fight, at Glastonbury. Thanks to the event's organisers, we raised £640,000 from festival-goers and gathered more than 35,000 signatures for our petition.



Telling everyone about us

In October 2017, Soaper Duper and WaterAid took social media influencers Mother of Daughters and Father of Daughters, shown right, to Madagascar to see our work first hand. They helped us reach more than one million people with their stories, and now passionately support our work.



WaterAid/Ernest Randriamalala

- **A massive thanks to the players of People's Postcode Lottery** for five years of supporting change for good across sub-Saharan Africa – including a stunning £3.4 million this year!
- **The Waterloo Foundation marked ten years** of making life-changing projects across India and Nepal possible. They will continue to provide crucial strategic support to help us lead the world in solving the water crisis.
- **Thank you to every one of our WaterAid volunteers** helping in offices and at events, and our Speaker Network of more than 300 members, who gave hundreds of talks on our behalf last year. Their commitment and enthusiasm brings in huge support for everything we do.

Witnessing The Water Effect

WaterAid ambassador and actor Dougray Scott visited Mozambique in May 2017, shown below right with Josefina Fabio. Dougray conducted a series of interviews to support our appeal, The Water Effect. His videos and media interviews, showing how clean water, decent toilets and good hygiene unlock everyone's potential, reached more than 217,000 people.



WaterAid/Eliza Powell

Making a huge splash

Last year, fundraising by individuals in their communities raised £639,000. Six-year-old Emily, below, contributed by swimming a mile and raising an incredible £1,265 for our vital work!



4

Our supporter community continued

Right: From left to right, John Mooney (Scottish Government), Ewan Robertson (Scottish Water) and Jean Lambert Sebarez (WaterAid Rwanda) visit Nkumbure School, Rwanda, January 2018.



Five-a-day for water

A big high-five to eight-year-old Louis, above, who bravely ate more fruit and veg to help our work. His friends sponsored him £100 in total, nominating such challenges as squishy tomatoes and dreaded mushrooms.

Our water industry partners

This year, our partnership with the water industry went deeper than ever. In addition to outstanding fundraising, they began new collaborations with the water sectors of many countries where we work.

Thanks to the Poul Due Jensen Foundation's generous support of our Tap the Sun appeal, we are transforming the lives of 30,000 people in Mozambique through our combined expertise. The Beacon Project, our collaboration in Nepal with Anglian Water's contracting partners and the Nepalese Government, is also using skill sharing to help a town improve its water and toilets.

In Malawi, experts from Thames Water helped the Central Region Water Board improve water treatment, supply and revenue, and will provide ongoing support in the future. And in Ethiopia, Yorkshire Water joined us to share knowledge for improving supply and capacity. Engineers flew out in June 2017 to give specialist training as part of its Twenty Towns project (see page 11 for more).

Below: Una May leads a chorus in London as part of Sing for Water. The community concerts changed even more lives with song and clean water this year. To date, they have raised over £1 million for our work.



A world of Winnovation

Our employee development scheme, Winnovators, saw over 40 teams from four countries compete to solve real issues from our work and raise £210,000. The Global Winners, Team Albuga from Scottish Water and Fujitsu (shown right), travelled to Nicaragua to test their hygiene app, with promising results.



Taking it in her stride

In May 2017, Bettina Collingwood (shown right) set out on a sponsored 5km walk – on her 95th birthday. Bettina raised £1,055 (plus another £290 from her birthday this year), and we are immensely grateful for her dedication. Thank you, Bettina!



● And a very special thank you to every one of our supporters who contributes a regular gift – no matter how big. Being able to count on you helps us plan and carry out our vital work, and reach even more people every year.

● Scottish Water employees have promised to raise over £300,000 in match funding by 2022. It is part of a Scottish Government funded project to improve health and sanitation in Nyamagabe District, Rwanda.

● Together with HSBC we launched a new three-year project to improve the sustainability of apparel supply chains in India and Bangladesh. By advancing water management and transforming working and living conditions we will change thousands of lives.

● Last year, 16 water companies included WaterAid leaflets in their bills, reaching nearly 17 million households and raising £270,367 towards our work. Since 1990, this support has helped us secure £179 million to help people break out of poverty.

4

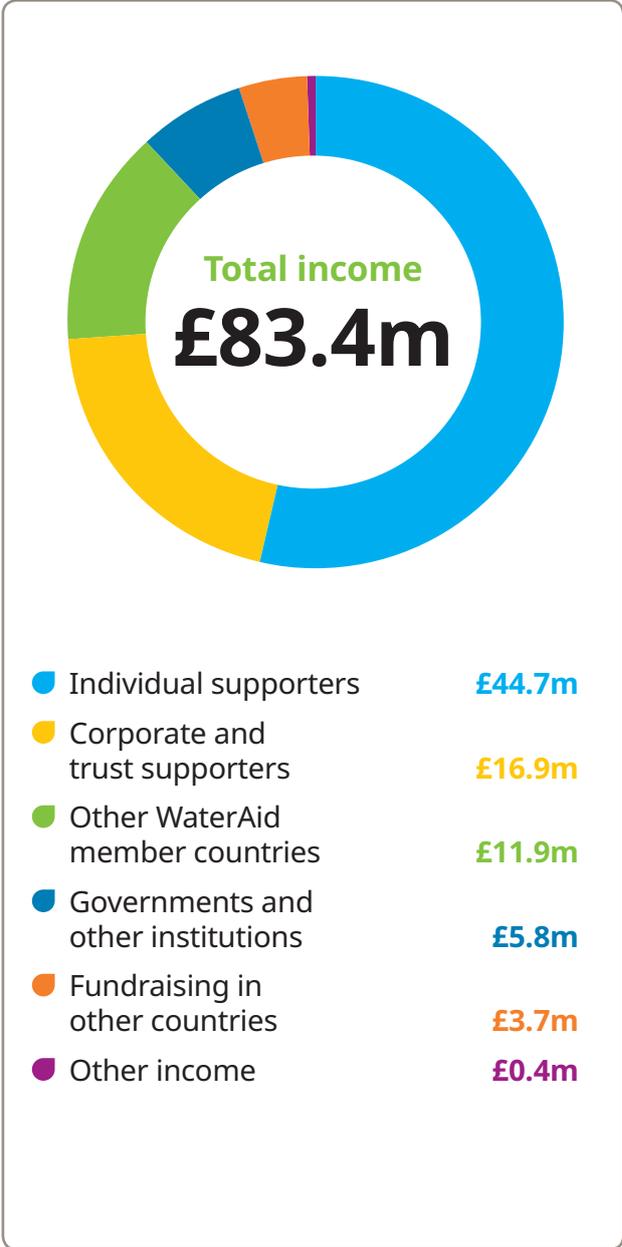
Financial review

Income

Despite a challenging year, the income we received in 2017-18 remained well diversified (see diagram). The greatest portion of our funding came from the UK public, who continue to provide a financial base that ensures we are resilient in difficult economic times. We recruited 40,049 new regular givers – significantly above our target – and feel immensely privileged to have this support.

Total income grew by 3% from the previous financial year. Most of our sources of income grew year on year, with well over 60% of our income being unrestricted. This was a great achievement, and a testament to everyone supporting us.

However, we did not do as well as planned in raising funds from institutional sources, which fell from the prior year. This stream of income has not been as healthy or as resilient as it should be, and we have changed our approach to raising these funds. We have restructured our team and brought in talented global leadership to seek much greater support from this sector. We also want to recognise the invaluable support we received from government aid agencies, especially those of the UK and USA, and with particular thanks to Sweden.



In every **£1** we spent, **72p** went on delivering services and making change happen, **27p** went on fundraising and **1p** on governance.

Expenditure

The strength of the pound has again been volatile over the year, linked closely with uncertainty for the UK economy in relation to Brexit. Overall, we were able to manage these fluctuations while also rebuilding our operational reserves to circa £14m. This is now well within the target range necessary for financial resilience in the light of the economic and operational risks we face.

Our expenditure was lower than planned, and also fell year on year, back to the level of 2015-16. This was predominantly due to the shortfall in institutional income and therefore not being able to grow our international work. However it was also a reflection of finishing the bulk of major systems projects in 2016-17, and of the relative weakness of the value of the pound in the prior year.

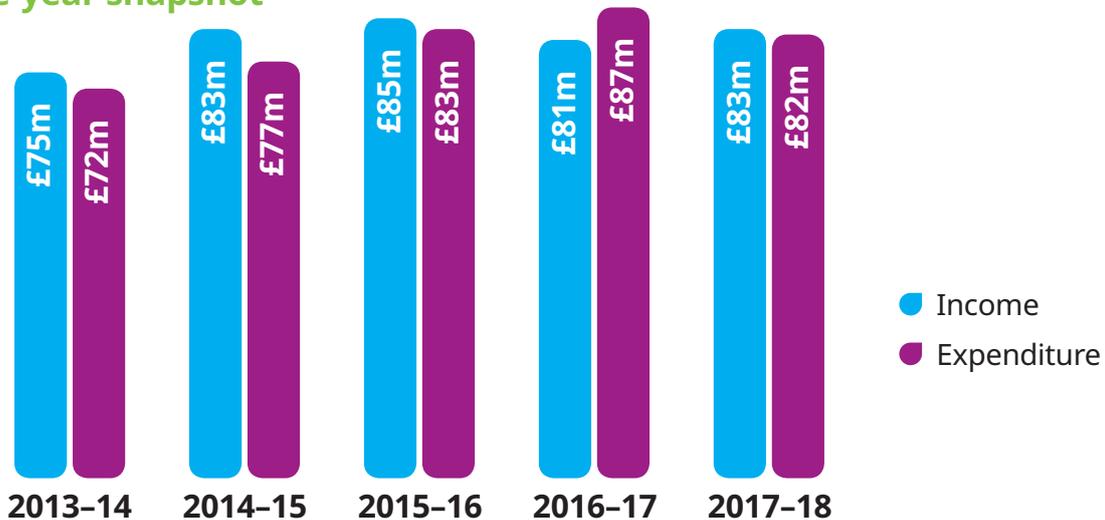
“Having running water in our village is the biggest change I have seen since I was born,” says Razanadramanana, who is 85 years old and lives in Anjoma village, Madagascar. Together, we’re making a lasting difference.

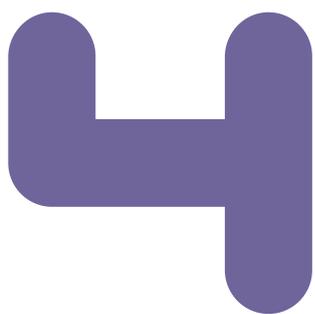


- Supporting partners to deliver water, sanitation and hygiene **55%**
- Influencing policy in water, sanitation and hygiene **12%**
- Supporting WaterAid globally **6%**
- Fundraising **27%**



Five-year snapshot





Thank you

We are extremely fortunate to have had the following individuals and organisations share our determination to make clean water, decent toilets and good hygiene a reality for millions of people in 2017-18. Together, we made lasting change happen on a massive scale, and want to acknowledge your contributions. Thank you.

Affinity Water
Aldwickbury School
Allan and Nesta Ferguson
Charitable Trust
Allegra Foundation
Amey
Andrex® & Kimberly Clark
Corporation
Anglian Water Alliance partners
Anglian Water Direct
Anglian Water Services Ltd
Asia Foundation
Auriga Services – Severn Trent
Trust Fund 20th Anniversary
Auxilium
Aveda
Aveda UK and Ireland
Balfour Beatty Utility Solutions
Barhale Construction Plc
Belu Water Ltd
BHP Billiton Sustainable
Communities
Big Lottery Fund
Black & Veatch Ltd
Bloo, a Henkel Brand
Bournemouth Water
Bristol Water Plc
British Water
Burnet Institute of Myanmar

Cambridge Water
Capgemini
Chris Powell
Clancy Docwra
Claret Civil Engineering Ltd
Coca Cola
Comic Relief
Costain Group Plc
Danaher and Walsh
Diageo Plc
Dŵr Cymru Welsh Water
Environment Agency
Esh Group
Essex and Suffolk Water
European Commission
Eversheds Sutherland LLP
Faversham House
Fujifilm Europe GmbH
Georg and Emily von Opel
Foundation
Glastonbury Festival
Government of Ethiopia
Grundfos
H&M Foundation
Highgate Junior School
HSBC Holdings Plc
Institute of Water
Irish Aid
James Allen's Prep School

Jersey Overseas Aid
 Kelda Group Ltd
 Kier Group
 Liberty Specialty Markets
 Lions Clubs International
 British Isles and Ireland
 Medicor Foundation
 Morrison Utility Services
 Mott MacDonald Bentley
 Natural Resources Wales
 New English School, Kuwait
 NMC Nomenca Ltd
 Northern Ireland Water
 Northumbrian Water Ltd
 Ofwat
 People's Postcode Lottery
 Portsmouth Water
 Poul Due Jensen Foundation
 Prince Albert II of
 Monaco Foundation
 Rotary International in
 Great Britain and Ireland
 Scottish Government, International
 Development Fund
 Scottish Water
 SES Water
 Severn Trent Water
 Sightsavers
 SIMAVI
 Sing for Water committees
 Skanska
 Soaper Duper
 Sofidel
 Soroptimist International
 Great Britain and Ireland
 South East Water
 South Staffs Water
 South West Water

Southern Water
 St Lawrence Church, Bidborough
 Stantec
 Stiftung Drittes Millennium
 Stonbury Ltd
 Swarovski Foundation
 Sweco
 Swedish International
 Development Agency
 Tesco Plc
 Thames Water
 The Alchemy Foundation
 The Association of Inner Wheel
 Clubs in Great Britain & Ireland
 The Foster Wood Foundation
 The Scout Association
 The Shanley Charitable Trust
 The Thomas Hardy School
 The Waterloo Foundation
 The Wimbledon Foundation
 Tokio Marine Kiln Insurance
 Services Limited
 UK Aid from the Department for
 International Development
 Unicef
 Unilever Plc
 United Utilities
 Veolia
 Water UK
 Wessex Water
 Yorkshire Water
 Young Orthodox Tewahedo
 Christians



S

Reaching our potential

To maximise our use of digital technology, we:

- **themed our annual My WaterAid Week**, which celebrates our values and wider WaterAid family, Let's get digital. Globally, webinars secured 756 session attendances

- **ran more digital technology training sessions** throughout the year, which 324 staff took part in, enrolled 244 staff in Office 365 e-learning programmes, and saw 1,147 other online courses completed

- **launched our HR information system**, PeoplePlace. This allows staff to manage their personal data, and benefits us organisationally through improved reporting and analytics.

Our ambitious vision, and seeing the difference our work makes in people's lives, is hugely motivating. And our people promise recognises that, by working together, we can be more effective in achieving our goal. So we focus our approach to leadership and people management on helping every member of staff to be themselves at their best.

Of our 753 staff, 40% are in the UK, and 60% across another 23 countries. 46% are women, 54% are men.

During the year we launched our new Be your Best performance management programme to help all staff reach their potential. To further develop and share their expertise, 38 leaders benefited from mentoring or coaching support, and 20 high-performing staff from secondments.

We developed a new global leadership programme, Accelerate to 2030, for use from May 2018.

In April, Great Places to Work – used by 10,000 organisations – listed us at number 37 for medium-sized organisations. This followed a UK-only employee survey, and an audit of our leadership and people practices. We were delighted with this endorsement of our employee culture.

Security and specialist technical skills

Staff security is a top priority. All staff required to travel regularly completed our travel safety and security course, and 15 senior managers took part in a crisis management simulation training day.

To improve our specialist technical skills, we recruited new experts, and shared existing skills globally through over 500 attendances at internal training programmes and e-learning sessions.



UK staff are among those to benefit from our new Be your Best performance management programme.

Responding to challenges

We are resolutely focused on pursuing our priorities. In our fast-changing world though, events such as natural disasters, political change and negative media coverage that directly impact our work demand our attention. In our programmes, and in the UK, we drew on our values, expertise and policies to find solutions to these challenges together.

Bangladesh experienced its worst flood in a decade, while flooding in Nepal affected 11.5 million people. Both countries saw water sources and sanitation infrastructure damaged, roads and health centres closed. We provided emergency relief, and repaired affected tube wells, household and school toilets.

With outbreaks of plague in Madagascar and cholera in Zambia, our teams diverted resources to promote good hygiene behaviour in health centres, schools and communities.

Elsewhere government restructuring, electoral violence, hidden national debt and states of emergency affected our work. These upheavals reinforce the need for flexibility in our programmes, and for resilience in water, sanitation and hygiene services.

● **In the UK, significant media coverage** in early 2018 raised the issue of sexual misconduct in the aid sector. Although there were no allegations concerning WaterAid, we responded with full transparency of our safeguarding policies and approaches, reviewed all related reports over the last ten years, and publicly shared the findings.¹

● **In July 2017 a combination of errors** between ourselves and a supplier's software led to emails unintentionally going to people who had asked for no more contact. We alerted the Information Commissioner's Office, reviewed our systems, and reassured people affected.²

● **The introduction of gender pay gap reporting** also hit the headlines. Our analysis of UK staff pay shows that at 5 April 2018 our mean pay gap was 11.3% and our median pay gap was 6%. This reflects wider social trends, though we are actively pursuing ways to address this gap.³

Supporting Rohingya refugees

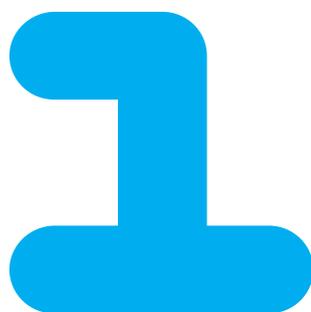
From August our team in Bangladesh worked with the Government and partners to avert the threat of waterborne diseases to displaced Rohingya people from Myanmar.

Activities included installing 67 wells that provided clean water to over 20,000 people, building 110 latrines and 7 faecal sludge management plants to ensure decent sanitation for more than 5,000 people, and running nearly 10,000 hygiene promotion sessions for 56,000 people.

What we will do next year

Right: Bertha Mwale speaks at a Joint Parliamentary Committee meeting in Malawi. Connecting decision makers and the people they serve is just one way we influence for a bigger impact.

Below: Next year we will directly reach more people like Cecilia Muyatwa in Simakalanga village, Zambia. Last year Cecilia continued to benefit from the borehole we installed in nearby Namudimba school in 2016.



Directly reaching people

We will directly reach people with clean water, decent toilets and good hygiene in their homes and schools. We will grow our programme of work in health care facilities so that more people can benefit from these essentials when they attend. We will focus on scaling up our work in three to four key countries with high potential for impact on a large number of people who currently live without them.





WaterAid/Dennis Lupenga

2

Influencing for a bigger impact

We will influence transformative change at scale so even more people benefit from clean water, decent toilets and good hygiene, not only in the countries we work but globally too. We will do this by elevating the attention paid to these essentials, and reaching out to other sectors such as health and education. We will prioritise working with governments to strengthen the institutions that deliver these services, providing models for others to replicate, and advocating for changes in policy and practice.



WaterAid/Eliza Powell



Above: Cesar Dominique Luis Alberto, Senior Project Officer, WaterAid Mozambique. Ensuring all staff are able to give their best is crucial for us to achieve our aims.

Far left: We will raise between £85-90 million next year so we can bring clean water, decent toilets and good hygiene to more people, as we did for the children of Dr Muhammed Shahidullah School and College in Dhaka, Bangladesh.

3

Fundraising and finance

We will:

- raise between £85-90 million with a minimum of 35% being restricted income
- spend between £80-85 million with 72-77% spent on charitable objectives and 23-28% spent on raising funds for this and future years
- upgrade our ability to develop and secure larger scale funding from institutional donors around the world, increasing this stream of funding globally to £25-28 million, a growth of 10-20% from 2017-18.

4

Our people

We will invest substantial time and resource into developing leaders in all the countries where we work, to enable us to significantly increase our impact as 2030 approaches. We will continue to develop the skills needed to achieve our aims and we will proactively build on our already high levels of employee engagement. This will ensure that WaterAiders are able to give their best, that we maintain our reputation as a great place to work, and that our values are clearly lived.

Looking after our people

Safeguarding

We are committed to being accountable and transparent around our safeguarding policies and approaches. In response to media reports of sexual misconduct on the part of some aid workers, we reviewed all records over the last ten years.

No cases of sexual misconduct reported to WaterAid UK have involved children or beneficiaries or have been in a humanitarian context. In the last ten years, we have dismissed four members of staff following investigation for sexual harassment of their colleagues. One further case resulted in disciplinary action. All of these cases were outside the UK and all the staff involved were locally employed nationals of the country in which they were working. We gave no references for any of the dismissed staff members other than for one individual, where we gave the reason for termination. No other allegations of sexual misconduct were reported.

We expect all staff, volunteers, partners, interns and consultants to conduct themselves in a way that preserves the dignity and respect of every individual. Our policies against sexual harassment and inappropriate behaviour, which we revised during the year, reflect that expectation. We have zero tolerance for harassment, bullying or exploitation in any form.

Gender reporting

The gender pay gap shows the difference in average pay between men and women nationally or within an organisation. As of 5 April 2018 our mean pay gap in the UK was 11.3% and our median pay gap was 6% – below the national average.

We have a female-dominated UK workforce, with equal numbers of men and women in the most senior 25% of roles. The pay gap arises from the distribution of our male employees across our roles, with a greater proportion of men employed in senior roles and fewer in junior roles, while female employees are spread evenly across all grades. This is similar to other organisations in our sector, and reflects national trends, though we are actively looking for opportunities to close this gap.

Additionally, we have a rigorous approach to evaluating roles to ensure we provide equal pay for work of equal value.

We are reviewing our job design to ensure all roles are attractive to women and men, and will provide training in unconscious bias – particularly during the recruitment process.

Equal opportunities and diversity

We believe in the value of a diverse global team and promote diversity in all its forms. We have policies in place to ensure we give candidates and

existing staff and volunteers equal opportunities to succeed, and we are registered as a Disability Confident employer in the UK.

We recruit the best person for the role, ensuring they have the right skills, knowledge and experience to help us achieve our mission. We encourage flexible working and encourage staff to develop within WaterAid, to match their circumstances and aspirations.

Employee engagement

Our staff participate in biennial global employee engagement surveys, giving helpful feedback on what it is like to work at WaterAid. In 2016, 97% of staff who took part said they had a good understanding of our vision and overall aims, and 86% would recommend WaterAid as a good place to work. In the UK, a staff engagement group meets quarterly to discuss ideas and provide feedback on particular topics.

Remuneration

In setting pay, we take seriously our responsibility to ensure value for money in everything we do. We are very aware of our responsibilities to those who benefit from our work as well as our supporters, donors, staff and the public. Our approach to pay enables us to recruit and retain staff with the right skills and experience to achieve our mission, while also ensuring effective stewardship of our resources. We aim to remunerate and to review remuneration in a fair and transparent way.

Good performance management is integral to our reward system. We believe that basing an element of pay on performance demonstrates our commitment to value for money and accountability to our stakeholders,

and reinforces the importance of high standards of performance for all staff.

Pay scales for all staff are set with reference to market conditions, comparing ourselves with similar not-for-profit organisations. Market pay is determined using recognised salary surveys specialising in the charity and international development sector. We seek to pay between the median and upper quartile of these comparators.

Pay ranges for the Chief Executive and Directors team are set with reference to market data for each individual role, benchmarked using at least three relevant remuneration surveys.

Each year we consider an increase to be awarded on 1 April. Increases are determined taking into account the benchmark data, individual performance and affordability.

The People Committee (formerly Remuneration Committee) of the Board provides assurance that our global remuneration policies and principles are applied. The committee reviews all proposed increases for Directors and recommends the remuneration of the Chief Executive for approval by the Board of Trustees.

Modern slavery

We produce this statement in accordance with section 54 of the Modern Slavery Act 2015 to document the processes that WaterAid has in place to prevent slavery and trafficking within its organisation.

We take our obligations seriously in promoting ethical working practices globally. We have a zero tolerance approach to slavery and human trafficking, both in our own organisation and also with our corporate partners and supply chains.

Our actions in 2017–18 to comply with the Modern Slavery Act have included ongoing activities to ensure staff and partners' awareness, and further embedding our rigorous ethical check guidelines to ensure a robust process for all partnership relationships. We have continued to operate our supplier due diligence process to ensure we have greater monitoring and oversight of our third party suppliers.

There remains in place an independent reporting process for any suspicions of slavery or trafficking within WaterAid and its partners, as well as an anonymous whistleblowing procedure. There have been no reports of slavery or trafficking this year.

Managing risk

WaterAid works in countries where security is often an issue, which means a level of risk is inevitable. We have an active risk management process in place to make sure appropriate steps are taken to manage and mitigate risk across the organisation.

The Board of Trustees and Directors team have been clear that the areas where risk should be very carefully assessed relate to the health, welfare and security of people and the reputation of WaterAid. In other areas, there is an evaluation of risk and reward before taking opportunities. Managed risks will be taken where there is a reasonable basis for believing that this will be to the benefit of people accessing clean water, sanitation and hygiene.

The Board of Trustees has overall responsibility for ensuring that WaterAid has a system of internal control, management and audit to take advantage of opportunities and manage risk effectively. Assessment of risk and opportunity is central to WaterAid's decision-making processes, planning and monitoring.

Processes include:

- Risk appraisals conducted from the Board of Trustees through to country team level, with regular training sessions to identify, evaluate and manage risks.
- Risk registers that capture risks the identified across WaterAid, including material risks, controls and actions.

- An annual risk management plan which is produced by the Directors team for review and approval by the Board of Trustees, who receive regular progress reports.
- A risk management review which is carried out by the Audit Committee twice a year.
- Regular risk audits which are carried out by our Internal Audit team and reported to the Audit Committee.
- Multi-year planning and budgeting which focuses on milestones linked to delivery of the global strategy.
- Financial reporting which compares results with the budget on a monthly, quarterly and yearly basis.
- Value for money principles which guide when and where we source goods and services, how we benchmark salaries, and our policies on borrowing and reserves.

The most significant risks last year were:

- **Security and safety management, with particular attention to our country programmes, to provide the right duty of care for our staff, partners and supporters.**

All countries have policies in place and we are auditing how these are embedded in practice. We train staff and continually work to build a culture of good security management.

- **Securing adequate restricted income and spending it well.**

We did not reach our restricted income targets for 2017–18 but the plans implemented to increase the scale of our restricted funding should bear results from 2018–19 onwards.

- **Managing changes in GDPR and fundraising regulations.** A project team ensured that GDPR compliance in all significant areas was achieved

on time. Full compliance is expected in 2018–19. See next section for more detail.

- **Exchange rate management given the volatile economic environment.** Volatility in both exchange rates and forecasts of income led to a UK cost reduction exercise mid-year to mitigate the risk of needing to draw further on operational reserves which were at the low end of their target range at the end of the prior financial year. During the January–March 2018 quarter a sharp recovery in the strength of the pound and resilient levels of unrestricted income led to a faster rebuilding of operational reserves than had been anticipated.

- **Responding to and influencing changes in aid policy and government handling of civil society.** Heightened engagement with bilateral and government institutions by country programme and UK teams has positioned WaterAid well in influencing policy. Additionally, WaterAid's adaption to new contexts has optimised programme delivery in countries such as Rwanda and Ethiopia.

- **Ensuring we have the right people with the right skills in place to deliver our strategy.** We focused on developing and recruiting key skill areas for the strategy, promoted and supported good performance management and have identified and developed high potential staff. We also sought to achieve better coordination of resource across the federation.

The main risks to be managed in the year ahead:

- **Massive global shift that moves resources and attention to other priorities.** A key priority for 2018–19 onwards is to elevate

water, sanitation and hygiene in development objectives, to ensure this fundamental building block to eliminating extreme poverty is not overlooked when resources are constrained.

● **Global recession and/or scarcity of funds in the market.** We will continue to mitigate the risk of another significant global market shock by active use of reserves together with measured and appropriate cost control to ensure we sustain our planned programme of work in the long term.

● **Leadership.** To achieve our ambitious plans we need leadership to be exceptional wherever we are. We will continue to invest in leadership development to ensure our leaders receive regular feedback and to address any underperformance. Our leadership programme, Accelerate to 2030, will help us to maximise our opportunities.

● **Programme quality.** The breadth and depth of the programmes continues to grow and we will address capacity gaps where they emerge in thematic expertise to ensure that programme quality is high and that the delivery of programmes is used to influence greater change.

● **Safeguarding.** We will roll out enhanced safeguarding policies and training, and ensure these reinforce good culture and good practice. We will provide safe places, encourage the confidence to report any issues, and take consistent action.

Our public fundraising approach

We raise a significant percentage of our funds from the public and our aim is to ensure we do this in both a respectful and compelling way that is

consistent with our values. We support measures that will improve public trust and support for the sector.

We contact a number of our supporters by telephone each year. External agencies who conduct this work on our behalf are required to do so in a respectful manner and in accordance with our standards and sector regulation. We closely monitor agencies' compliance and performance, and involve ourselves in their training and the materials used.

Understanding and protecting people in vulnerable circumstances is central to our work: we recognise we may come into contact with people who are potentially in a vulnerable situation and must take appropriate action to understand, support and ensure the most appropriate experience for them. We have therefore developed guidelines with respect to people in vulnerable situations, and how calls with them are managed. You can read the full Vulnerable Supporter Policy on our website at [wateraid.org/uk/our-fundraising-promise](https://www.wateraid.org/uk/our-fundraising-promise)

We do not contact people from cold lists, nor do we give or sell supporters' details to anyone else. Details regarding our approach to fundraising are on our website, along with our fundraising promise, and we actively encourage supporters to contact us with any feedback. It is vital that we communicate with our supporters in the manner they prefer, and we are very keen to respect their privacy and communication preferences.

We have recently refreshed our data privacy policy to ensure it is compliant with the General Data Protection Regulations (GDPR) as we

take our commitments in this area very seriously. The new policy can be found at www.wateraid.org/uk/privacy-policy

We are registered with the Fundraising Regulator and pay an annual levy as required. We support the public consultations on the Code of Fundraising Practice and in all of our fundraising, we work diligently to comply with the Code and to champion the standards it promotes.

We are members of the Institute of Fundraising and the Direct Marketing Association. We abide by their codes of conduct and we endorse the formation of best practice standards and guidelines for the sector, which we helped define.

We monitor complaints and take on board feedback to help us improve our fundraising approach.

During 2017–18 we made 3,989,263 contacts using email, mail and telephone. We received 874 complaints, 0.02% of the total contacts we made.

Our Supporter Care team looks into each and every complaint, responding within three working days. We do all we can to resolve complaints and ensure that supporters are happy to be part of our work.

General Data Protection Regulations

The General Data Protection Regulations (GDPR) became law in May 2018. The regulations set out the responsibilities all organisations have in relation to the personal data that they collect and hold, and are designed to enhance the rights of individuals in controlling their own personal data.

We take privacy seriously. We are committed to protecting personal data, and to ensuring that we are compliant with the changes introduced by the GDPR.

To achieve this we set up a formal GDPR project with our Chief Executive as project sponsor. We have implemented compliance activities in each of the following areas:

- Data protection policies.
- Data mapping.
- Data retention and cleansing.
- Supporter data: privacy, consent and preference management.
- Data processors and data transfers.

We consider that every member of staff has a role to play, and we have an active training and awareness-raising programme to ensure we are all familiar and compliant with the new requirements.

For more information on how we use and protect personal data, please see our Privacy Policy: <https://www.wateraid.org/uk/privacy-policy>

Managing our finances

Reserves policy

WaterAid has an approved reserves policy, retaining a level of readily accessible funds within an operational reserve of unrestricted monies to mitigate financial risks identified in the risk management plan. The target for the operational reserve is reviewed on an annual basis and, in 2017–18, the target range was £11–15 million. The operational reserve at the end of March 2018 was within this range, at £14.2 million.

The excellent work of our fundraising teams and the breadth of the tremendous support we receive ensures we have a great diversity of income streams, and restricted funding forms part of that income.

Total funds at 31 March 2018 were £27.3 million, of which £9.3 million was in restricted funds. Restricted funds are received from governments, trusts, foundations, corporations and individuals and the restrictions that these partners place on the funds they give us can range from a focus on a region, theme or country to a high degree of restriction, such as a specific project in a particular country. These monies are dedicated to specific programmes and the Trustees have no discretion to reallocate them to other uses. Restricted funds received in one year are carried forward into future years where the criteria for applying them to particular programmes have yet

to be met for compliance with the funder's conditions.

We aim for as much flexibility in our funding portfolio as we can achieve, working in partnership with those that fund us. We are stringent in our management of all our funding, whether restricted or unrestricted.

Investment policy and performance

WaterAid holds short-term investments and cash. The objective of our investment policy is to limit risk as far as is possible while earning such interest as is available on very secure deposits. Accordingly, our investment policy is to invest in short-term deposits and to hold cash only at those banks with a high credit rating.

Due to continuing very low interest rates and lower cash balances than previous years, investment income was just £36,000 in 2017–18; we expect low rates of return on cash balances to continue in 2018–19.

Going concern

The Board of Trustees is of the opinion that WaterAid has adequate resources to continue in operational existence for the foreseeable future.

Public benefit

The Trustees have taken into account the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning our future activities.

How we operate

WaterAid is a global federation, of which WaterAid in the UK is a member. To date there are six other members in America, Australia, Canada, India, Japan and Sweden. All federation members are independently constituted organisations with their own boards.

WaterAid UK receives funding from other members of the federation to deliver services and make change happen. At the same time WaterAid UK invests in other members to support their future growth. Last year, WaterAid UK decreased its investment in other members following a year of exceptionally high support in 2016-17. WaterAid UK also funded part of the running costs of WaterAid international – a requirement of all members.

Legal structure

WaterAid was established by Trust Deed on 21 July 1981, incorporated on 30 January 1984 and registered as a charity in England on 22 February 1984. WaterAid registered as a charity in Scotland on 3 April 2008.¹ WaterAid has a Memorandum which sets out the objects and powers of the organisation and is governed in accordance with its Articles of Association.

WaterAid is a company limited by guarantee, under which the members each undertake to contribute £1 in the event of the company being wound up. At 31 March 2018, there were 44 company members.

WaterAid international

WaterAid international was formed in 2010 as the secretariat for the federation. WaterAid international sets global standards and coordinates the activities of federation members, in developing and delivering our global strategy. It also holds the WaterAid trademarks and licenses members of the federation to use those marks.

WaterAid international is now meeting all the criteria for not requiring its accounts to be consolidated into WaterAid UK's accounts as shown in note 1 to the financial statements. This is in contrast to previous years, when the accounts were consolidated.

Trading company

WaterAid Trading Ltd made a net profit of £1 million on a gross turnover of £1.1 million. This trading company is wholly owned by WaterAid, sells goods and operates the sub-licensing agreements that WaterAid enters into.

Organisation structure

WaterAid has an office in London where the Chief Executive and a team of five Directors and the Internal Audit and Compliance department are based alongside the secretariat for WaterAid international.

The Directors are responsible for the Departments of International Programmes; Policy and Campaigns; Finance and Information Technology; Communications and Fundraising; and People and Organisational Development.

As at 31 March 2018, WaterAid had offices, registered as branches of the UK company, in 22 countries in South Asia and Africa. During the year, we exited from Lesotho due to strategic,

1. WaterAid raised £2,624,710 in Scotland through fundraising activities organised both in Scotland and the rest of the UK. Scottish Water continues to donate office space for WaterAid Scotland to operate from and is very supportive of the fundraising activities in Scotland.

legal, funding and capacity issues. Due to the disproportionate amount of time and resource it has taken to register as a local entity in Kenya, we have decided not to continue our partnership there.

Country Directors and Team Leaders in each branch report into a Regional Director. All are appointed by, and accountable to, the Director of International Programmes. Country Heads of Finance report to the Country Directors and have a dotted line to the UK-based Director of Finance and Information Technology.

WaterAid also works in partnership with civil society networks and other organisations in countries where there is no WaterAid presence.

WaterAid UK's Board of Trustees

The Board of Trustees governs the organisation in line with its Articles of Association, vision, mission, values, aims and charitable objectives and provides overall policy direction. The Board is responsible for compliance with the legal and statutory requirements of a UK charity and of a registered company.

The Board welcomed the launch of the new Charity Governance Code in 2017 and formally adopted its principles. An internal audit review found that WaterAid substantially complies with the Code and actions have been taken to close gaps in meeting recommended practices, for example, reviewing terms of reference for board committees. In addition, the Board has identified diversity as an area of focus and will be reflecting on how to embed diversity in its fullest sense as well as adopting diversity objectives.

At the AGM in October 2017, we amended our Articles to increase

Trustees' terms of office (for new Trustees) to four years, renewable for another term of up to four years. In occasional circumstances, this period may be further extended to retain specific skills.

In 2017–18 new Trustees Manuel Alvarinho, Heidi Mottram, Mala Rao and Heather Skilling were appointed to the Board after an open selection process. Matt Tweedie, Trustee designate, also joined as an external member of the Audit Committee.

Christiane Wuillamie, Clarissa Brocklehurst and Richard Flint stood down from the Board at the same AGM at the end of their second terms. Each has made a significant contribution to the Board of Trustees and their service is noted with great thanks and much appreciation.

The Board of Trustees has three committees:

1. The Audit Committee promotes and safeguards the highest standards of integrity, financial reporting and internal control. It also oversees the organisation's risk management processes, IT and communications systems, capital spend projects and office occupancy strategy.
2. The Nominations Committee ensures that candidates of the highest calibre are put forward for election to the Board of Trustees, so as to achieve an appropriate and diverse mix of skills and experience across the Board as a whole.
3. The People Committee (formerly Remuneration Committee) reviews the development of our people management policies and practices including our salary policy, with a particular focus on executive remuneration.

All these committees have terms of reference published in the governance manual, which is on our website.

An induction programme is held for Trustees joining the Board. Trustees are invited to participate in seminars with staff as well as being expected to visit WaterAid's work to familiarise themselves with our operations. As part of the development of the Board, performance assessment processes are used for both the Board as a whole and for individual Trustees. The members of the Board of Trustees who have served during the year are listed in the Trustees, advisors and key details section on page 41, together with the President, Vice President and Directors team. Day-to-day management of the charity is delegated by the Trustees to the Chief Executive. The planning and reporting arrangements in place give Trustees confidence that the charity is being managed effectively.

Statement of Trustees' responsibilities

The Trustees (who are also directors of WaterAid for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the Financial Statements in accordance with applicable law and regulation. Company law requires the Trustees to prepare Financial Statements for each financial year. Under that law, the Trustees have prepared the Financial Statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law, the Trustees must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these Financial Statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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 charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking

reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. So far as each Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware. Each Trustee has taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Trustees on 5 September 2018 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Tim Clark' with a small 'ark' written below the 'k'.

Tim Clark
Chair of Trustees

Our leadership team

President

HRH The Prince of Wales

Vice President

The Rt Hon Baroness Chalker of Wallasey

Board of Trustees

Manuel Alvarinho
(joined October 2017)

Clarissa Brocklehurst²
(stood down October 2017)

Tim Clark^{2, 3},
Chair of the Board of Trustees

Rosemary Carr² (Vice Chair)

Richard Flint²
(stood down October 2017)

Chris Loughlin¹

Heidi Mottram OBE³
(joined October 2017)

Peter Newman^{1, 3}, Treasurer

Mala Rao OBE (joined October 2017)

Anna Segall¹

Myriam Sidibe

Heather Skilling (joined October 2017)

Christiane Wuillamie^{1, 3}
(stood down October 2017)

Steve Vaid^{1, 3}
(Chair of Audit Committee)

External Audit Committee member:
Matt Tweedie¹

Chief Executive and Company Secretary

Barbara Frost (stood down May 2017)

Tim Wainwright (joined May 2017)

Directors team

Margaret Batty:
Director of Policy and Campaigns

Olga Ghazaryan:
Director of International Programmes

Paula Laird:
Director of Finance and
Information Technology

Marcus Missen:
Director of Communications
and Fundraising

Rachel Westcott:
Director of People and
Organisational Development

Principal bankers

Barclays Bank plc
50 Pall Mall, London SW1A 1QB

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Principal solicitors

Bates, Wells and Braithwaite
2–6 Cannon Street
London EC4M 6YH

Company number

1787329

Charity numbers

288701 (England and Wales)
SC039479 (Scotland)

Registered office and operational address

47–49 Durham Street
London SE11 5JD

Our auditors say...

Report on the audit of the financial statements

Opinion

In our opinion, WaterAid's group financial statements and parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, including its income and expenditure, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and parent charitable company balance sheets as at 31 March 2018; the consolidated statement of financial activities (including consolidated income and expenditure account), the consolidated cash flow statement

for the year then ended; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any

identified material uncertainties that may cast significant doubt about the group's and parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent charitable company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other

information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Annual Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 39 to 40, the Trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial

statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the group and parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body

in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kevin Lowe (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London

14 September 2018

Consolidated statement of financial activities

(including consolidated income and expenditure account)

For the year ended 31 March 2018

	Note	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Income from:					
<i>Donations and legacies</i>					
Donations	3	47,903	4,232	52,135	49,702
Grants	3	2,707	-	2,707	4,708
Gifts in kind	3	324	-	324	191
<i>Charitable activities</i>					
Grant funding for specific activities	5	-	23,020	23,020	22,215
<i>Other trading activities</i>	4	5,027	124	5,151	4,184
<i>Investment income</i>		35	1	36	77
Total income		55,996	27,377	83,373	81,077
Expenditure on:					
<i>Raising funds</i>					
Expenditure on raising grants, donations and legacies	6	21,094	553	21,647	20,193
Expenditure on other trading activities	6	58	-	58	49
<i>Charitable activities</i>					
Supporting partners to deliver water, sanitation and hygiene	6	19,353	25,596	44,949	46,696
Influencing policy in water, sanitation and hygiene	6	8,384	1,696	10,080	11,868
Supporting WaterAid globally	6	4,682	480	5,162	8,674
Total expenditure		53,571	28,325	81,896	87,480
Net incoming/(outgoing) resources before transfers		2,425	(948)	1,477	(6,403)
Transfers	19	-	-	-	-
Net movement in funds or net income / (deficit) for the year	24	2,425	(948)	1,477	(6,403)
Funds brought forward at 1 April	19	15,521	10,259	25,780	32,183
Total funds carried forward at 31 March	19	17,946	9,311	27,257	25,780

The financial statements have been prepared in line with FRS 102.

The statement of financial activities includes all gains and losses recognised during the year. There were no realised gains during the year on investment assets. All incoming resources and resources expended derive from continuing activities. The notes supporting the Financial Statements are on pages 48 to 66.

There is no material difference between the net incoming resources stated above and its historical cost equivalent.

WaterAid's (excluding WaterAid Trading Limited) gross income for the year was £82.3m (2017: gross income: £80.9m). WaterAid's net income for the year was £1.5m (2017: net deficit: £6.4m).

Consolidated and charity balance sheets

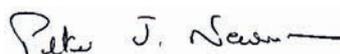
At 31 March 2018

		The group		The charity	
	Note	2018 £000	2017 £000	2018 £000	2017 £000
Fixed assets					
Intangible assets	10	1,978	2,687	1,978	2,687
Tangible assets	10	898	1,112	898	1,112
Total fixed assets		2,876	3,799	2,876	3,799
Current assets					
Debtors	11	8,464	10,295	9,644	11,120
Cash at bank and in hand	15	22,691	17,643	21,275	16,663
Total current assets		31,155	27,938	30,919	27,783
Liabilities					
Creditors: falling due within one year	16	(5,632)	(4,710)	(5,396)	(4,561)
Provision for liabilities and charges	17	(1,142)	(1,247)	(1,142)	(1,247)
		(6,774)	(5,957)	(6,538)	(5,808)
Net current assets		24,381	21,981	24,381	21,975
Net assets		27,257	25,780	27,257	25,774
The funds of the charity					
Unrestricted income funds					
Designated funds	19	3,717	4,725	3,717	4,725
General income funds	19	14,229	10,796	14,229	10,790
Total unrestricted income funds		17,946	15,521	17,946	15,515
Restricted income funds	19	9,311	10,259	9,311	10,259
Total charity funds		27,257	25,780	27,257	25,774

The financial statements on pages 45 to 66 were approved by the Board of Trustees on 5 September 2018 and signed on its behalf by:



Tim Clark, Chair



Peter Newman, Treasurer

Consolidated cash flow statement

For the year ended 31 March 2018

	2018	2017
	£000	£000
Net income / (deficit) for the year	1,477	(6,403)
Interest receivable	(36)	(77)
Amortisation and depreciation of fixed assets	2,178	1,793
(Gain)/loss on disposal of fixed assets	(11)	242
Movement in debtors	1,831	(204)
Movement in creditors	922	(2,629)
Movement in provisions	(105)	486
Cash generated from / (absorbed by) operating activities	6,256	(6,792)
Bank interest received	36	77
Payments to acquire fixed assets	(1,257)	(2,353)
Proceeds from sales of fixed assets	13	44
Cash flows expended in investing activities	(1,208)	(2,232)
Increase / (Decrease) in cash in the year	5,048	(9,024)
Analysis of cash as shown in the balance sheet	2018	2017
	£000	£000
Balance at beginning of the year	17,643	26,667
Net cash inflow / (outflow)	5,048	(9,024)
Balance at the end of the year	22,691	17,643
The cash balances were held in the following locations:	2018	2017
	£000	£000
UK	19,751	14,870
Overseas	2,940	2,773
Balance at 31 March	22,691	17,643

Notes to the financial statements

For the year ended 31 March 2018

1. Accounting policies

The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to WaterAid's Financial Statements.

WaterAid is incorporated in the United Kingdom (company number: 1787329) and is a registered charity in England, Wales and Scotland. WaterAid's registered office and operational address is: WaterAid, 47-49 Durham Street, London SE11 5JD.

a) Basis of preparation

The Financial Statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP (FRS 102), effective 1 January 2015), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006, the Charities Accounts (Scotland) regulations 2006 and Charities and Trustee Investment (Scotland) Act 2005, and under the historical cost accounting rules, except for investments which have been included at fair value or the value considered appropriate by the Board of Trustees.

The Financial Statements are drawn up on the going concern basis which assumes WaterAid will continue in operational existence for the foreseeable future (deemed to be a period of 12 months from the date of this report). The Board have given due consideration to the working capital and cash flow requirements of WaterAid. The Board consider WaterAid's current and forecast cash resources to be sufficient to cover the working capital requirements of the charity for at least 12 months.

As permitted by exemption under Section 408 of the Companies Act 2006, a separate income and expenditure account dealing with the results of the charity only has not been presented.

b) Basis of consolidation

The charity has one wholly-owned subsidiary, WaterAid Trading Limited, which is registered in England. Consolidated Financial Statements for the group, being WaterAid and WaterAid Trading Limited have been prepared on a line by line basis. Consolidation does not include other WaterAid members. In the prior year, WaterAid international was consolidated as a charity, regulated in the UK, by virtue of the control and influence WaterAid had over WaterAid international. Consolidated Financial Statements for the group in 2016-17 were prepared to include WaterAid Trading Limited, WaterAid international but not include other WaterAid members.

As a result of the appointment of a dedicated Executive Director to WaterAid international on 16 January 2017, a review of the benefit and control rules for consolidation was carried out. WaterAid international is managed separately from WaterAid but does use some of its support services for which it is charged. Plans and budgets for WaterAid international are proposed by its dedicated Executive Director to the Board of WaterAid international for their approval. The contribution by each member to the financing of the approved budget is governed by a process approved by all members. Despite being the largest federation member, WaterAid will benefit to no greater or lesser extent than other members of the federation from a change in WaterAid international's performance. WaterAid has completed a full review of the relationship against FRS 102 and concluded that there is now no control over WaterAid International. As such, this has led to WaterAid international no longer being consolidated in the group financial statements for the year ended 31 March 2018.

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 and group.

c) Related party transactions

The charity discloses all of its transactions with its subsidiary, WaterAid Trading Limited.

d) Foreign Exchange

Transactions denominated in foreign currencies are translated at the rate of exchange at the beginning of the month as an approximation to actual transaction dates. Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date. Realised and unrealised foreign exchange gains and losses are included within support costs and reallocated across charitable activities in the Statement of Financial Activities (SOFA) as per note 6.

1. Accounting policies (continued)

e) Income

All income is included in the consolidated SOFA when the charity is legally entitled to it, receipt is probable and the amount can be measured with sufficient reliability.

Grant income

Grants are credited to the SOFA when the charity is entitled to the funds. Income is only deferred where there are time constraints imposed by the donor or if the funding is performance related.

Where entitlement to grants receivable is dependent upon fulfilment of conditions within the charity's control, the income is recognised when there is sufficient evidence that conditions will be met.

Grants supporting the core activities of the charity and with no specific restrictions placed upon their use are included within donations and legacies. Grants that have specific restrictions placed upon their use are included within income from charitable activities.

Donations and legacies

Donations are recognised in the period in which they are received. Legacy income is recognised when the charity's entitlement is adjudged to be probable and where the amount can be reliably measured.

Restricted income

Income received that has specific restrictions placed upon its use is credited to restricted income within the SOFA on an entitlement basis. Unspent balances are carried forward within the relevant restricted fund.

Gifts in kind

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.

In memoria

Donations received in line with persons' wishes are recognised on a cash receipt basis.

Fundraising events

Fundraising events income is included in donations and legacies income as the funds received are by nature donations rather than funds paid to gain a benefit. Event income to which the charity has a legal entitlement and that is being held by a third party agent is recognised on a receivable basis.

f) Expenditure

Expenditure is recognised in the period in which it is incurred on an accruals basis. Expenditure includes attributable VAT which cannot be recovered.

Costs of charitable activities include direct expenditure incurred through grants to partners and operational activities together with associated support costs. Charitable expenditure is reported as a functional analysis of the work undertaken by the charity, being supporting partners to deliver clean water, sanitation and hygiene, influencing policy in water, sanitation and hygiene and supporting WaterAid globally.

Grants are recognised in the period in which they are payable. Grants payable in furtherance of the charity's objects are attributed to the related classification heading in the SOFA. Partner agreements may be for longer than one year but funding contracts are typically for a year's duration.

The costs of raising funds relate to the costs incurred by the group and charitable company in raising funds for the charitable work.

Expenditure is allocated to the particular activity where the cost relates directly to that activity.

Support costs comprise the salary and overhead costs of the central function. The central function includes costs relating to the Departments of Finance, Facilities, Information Services, People and the Chief Executive's Office. Governance costs include internal and external audit costs, legal and tax advice, Trustee expenses and Directors' time in governance of the organisation. Governance costs and other support costs have been allocated to expenditure on charitable activities based upon staff numbers. These staff numbers are listed in note 7 to the Financial Statements.

1. Accounting policies (continued)

g) Fund accounting

Unrestricted funds are the funds that are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in note 19.

Restricted funds are used for specified purposes as laid down by the donor. Qualifying project expenditure is allocated to the fund, together with a proportion of overhead costs where agreed by the donor. Negative balances are carried forward on funds only where further income is considered highly probable in the following year.

h) Fixed assets and depreciation

Tangible and intangible fixed assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended 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 depreciation periods in use on a straight line basis are as follows:

Motor vehicles	3 years
Furniture and equipment – Overseas	3 years
Furniture and equipment – UK	5 years
Computers and office equipment	3 years
Software	3 years

Items of equipment are capitalised where the purchase price exceeds £500. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

i) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value (note 26).

j) Investments

The investment in the subsidiary is valued at cost.

Donated shares which are freely tradable are included at the market valuation at the balance sheet date. Shares are not intended to be held as investments and are sold as soon as practically possible. The gain or loss for the period is reflected in the SOFA.

k) Cash at bank and in hand

Cash at bank and in hand is held to meet short-term cash commitments as they fall due rather than for investment purposes and includes all cash equivalents held in the form of short-term highly liquid investments. A cash equivalent will normally have a short maturity of three months or less from the date of acquisition.

l) Pension cost

The charity operates a defined contribution pension scheme for UK staff. The assets of the scheme are held separately from those of the charity in independently administered funds. Contribution payments are charged to the SOFA.

Similarly our staff in country programmes and regions are provided with post employment benefits that comply with local employment legislation.

m) Operating leases

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the SOFA on a straight line basis for the duration of the lease contract.

n) Provisions

Provisions for future liabilities are recognised when the charity has a legal or constructive financial obligation, that can be reliably estimated and for which there is an expectation that payment will be made.

1. Accounting policies (continued)

o) Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The charity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. It is the opinion of the Trustees that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Prior year consolidated statement of financial activities

	Unrestricted £000	Restricted £000	2017 Total £000
Income from:			
<i>Donations and legacies</i>			
Donations	45,319	4,383	49,702
Grants	4,706	2	4,708
Gifts in kind	191	-	191
<i>Charitable activities</i>			
Grant funding for specific activities	-	22,215	22,215
<i>Other trading activities</i>	3,933	251	4,184
<i>Investment income</i>	76	1	77
Total income	54,225	26,852	81,077
Expenditure on:			
<i>Raising funds</i>			
Expenditure on raising grants, donations and legacies	19,692	501	20,193
Expenditure on other trading activities	49	-	49
<i>Charitable activities</i>			
Supporting partners to deliver water, sanitation and hygiene	22,156	24,540	46,696
Influencing policy in water, sanitation and hygiene	8,384	3,484	11,868
Supporting WaterAid globally	6,620	2,054	8,674
Total expenditure	56,901	30,579	87,480
Net outgoing resources before transfers	(2,676)	(3,727)	(6,403)
Transfers	(92)	92	-
Net movement in funds or net deficit for the year	(2,768)	(3,635)	(6,403)
Reconciliation of funds			
Total funds brought forward at 1 April 2016	18,289	13,894	32,183
Total funds carried forward at 31 March 2017	15,521	10,259	25,780

3. Income from donations and legacies

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Donations				
Regular giving, donations and appeals	38,235	2,753	40,988	39,726
Legacies and in memoria donations	6,048	74	6,122	5,359
Fundraising events	3,620	1,405	5,025	4,617
Total	47,903	4,232	52,135	49,702
Grants of a general nature				
UK Aid from the Department for International Development – Programme Partnership Agreement	-	-	-	3,151
Other WaterAid member countries	2,107	-	2,107	1,157
The Waterloo Foundation	300	-	300	300
Other	300	-	300	100
	2,707	-	2,707	4,708
Gifts in kind				
Mentoring programme	108	-	108	-
Customer appeal	105	-	105	128
Water Industry Partnerships	48	-	48	23
Audit fee	25	-	25	25
Rent	38	-	38	14
Other	-	-	-	1
	324	-	324	191
Total	50,934	4,232	55,166	54,601

At 31 March 2018, in addition to legacy income that has been included in the financial statements, WaterAid expected to benefit from a number of legacies from estates for which the administration had yet to be finalised. WaterAid's future income from these legacies is estimated at £6,749,000 (2017: £4,123,000). Accrued legacy income included within the financial statements amounts to £369,000 (2017: £487,000).

4. Other trading activities

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Lotteries	4,012	27	4,039	3,245
Trading company	1,015	97	1,112	939
Total	5,027	124	5,151	4,184

Where lotteries are run by WaterAid and it acts as the principal, the proceeds are recorded as gross of prizes and other expenditure. In the case of WaterAid lotteries managed by People's Postcode Lottery (PPL), WaterAid has no ability to alter the ticket price, prizes or management charges and therefore does not act as the principal for these draws. Proceeds have therefore been recognised in the SOFA as net of prizes and other expenditure. 2017 was the first year of this PPL arrangement. All net income raised from ticket proceeds is wholly spent in the pursuit of the aims of the charity.

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
PPL ticket proceeds	10,888	-	10,888	8,517
PPL prize fund	(4,355)	-	(4,355)	(3,381)
PPL management fee	(3,130)	-	(3,130)	(2,556)
PPL prize indemnity insurance	-	-	-	(28)
PPL net income	3,403	-	3,403	2,552
Other WaterAid lotteries	609	27	636	693
Total lotteries income	4,012	27	4,039	3,245

5. Income from charitable activities

Grant funding for specific activities	2018	2017
	Total	Total
	£000	£000
Other WaterAid member countries	9,830	9,820
UK Aid from the Department for International Development*	2,767	2,434
HSBC Holdings plc	2,381	2,222
Plan International**	1,894	460
Swedish International Development Cooperation Agency (Bangladesh)	1,330	1,017
BHP Billiton Sustainable Communities	945	1,421
Unicef	869	804
Jersey Overseas Aid	431	100
Big Lottery Fund	248	622
European Commission	219	1,366
Auxilium	166	-
Asia Foundation	161	-
Government of Ethiopia	160	-
Coca Cola	158	-
Medicor Foundation	149	270
Irish Aid	140	169
Aveda	131	95
Sightsavers	115	-
Burnet Institute of Myanmar	111	-
Comic Relief	68	551
Queen Elizabeth Golden Jubilee TrachomaTrust	-	123
Swiss Agency for Development and Cooperation	-	11
Other grants	747	730
Total	23,020	22,215

*UK Aid from the Department for International Development

Match Funding – Deliver Life	1,646	1,451
Match Funding – To Be A Girl	555	838
Other	566	145
UK Aid received directly from the Department for International Development	2,767	2,434

**UK Aid received indirectly from the Department for International Development – consortium led by Plan International

	1,894	460
Total UK Aid received from the Department for International Development	4,661	2,894

Additional information on transactions with WaterAid member countries can be found in note 25.

6. Expenditure

Note	Staff costs £000	Other direct costs £000	Amortisation and depreciation £000	Allocation of support and governance costs £000	2018 Total £000	2017 Total £000
<i>Raising funds</i>						
Expenditure on raising grants, donations and legacies	6,105	13,529	513	1,500	21,647	20,193
Expenditure on other trading activities	40	18	-	-	58	49
	6,145	13,547	513	1,500	21,705	20,242
<i>Charitable activities</i> 8						
Supporting partners to deliver water, sanitation and hygiene	11,385	27,332	943	5,289	44,949	46,696
Influencing policy in water, sanitation and hygiene	3,842	5,019	193	1,026	10,080	11,868
Supporting WaterAid globally	27	5,056	-	79	5,162	8,674
	15,254	37,407	1,136	6,394	60,191	67,238
Governance	499	134	-	(633)	-	-
Support costs	2,837	3,895	529	(7,261)	-	-
Governance and support costs	3,336	4,029	529	(7,894)	-	-
	24,735	54,983	2,178	-	81,896	87,480

Supporting partners to deliver water, sanitation and hygiene includes £19.4m related to sector strengthening and capacity building to deliver water, sanitation and hygiene. Expenditure on sector strengthening has been measured to reflect the significant shift in our programme approach to achieve our Global Strategy.

Governance and support costs have been allocated on the basis of staff numbers in each area of activity. These staff numbers are listed in note 7 to the Financial Statements.

The governance and support costs and losses/(gains) on exchange rates were allocated as follows:	2018 Total £000	2017 Total £000
Finance, People and Information Services	4,936	4,734
Chief Executive Office, Internal audit and Governance	633	680
Premises and facilities	2,011	1,973
Gift in kind	171	25
Support costs	7,751	7,412
Realised and unrealised exchange losses/(gains) on assets	143	(983)
Total of governance and support costs and exchange losses/(gains)	7,894	6,429

The exchange rate movement is the net of the operational gains/losses incurred in delivering our services funded in GBP in local currencies and the gains/losses made on asset values held in currencies other than GBP.

7. Staff costs and numbers

Staff costs for the charity and group were as follows:

	2018	2017
	Total	Total
	£000	£000
Wages and salaries	21,415	21,056
Social security costs	1,329	1,313
Other pension costs	1,991	2,022
	24,735	24,391

The number of employees, calculated on a full time basis and analysed on a functional basis, was as follows:

	2018	2017
	No.	No.
Fundraising staff (cost of generating funds)	127	133
Staff delivering charitable activities	544	543
Support staff	59	57
Governance	6	6
	736	739

A salary benchmarking exercise was completed and came into effect in April 2017. The increase in staff costs is 1.8% (2017: 12.8%) per full time equivalent employee.

The average monthly headcount was 751 staff (2017: 764). The total number of WaterAid employees at 31 March 2018 was 765 (2017: 775). The decrease in total number of WaterAid employees is due to no longer including WaterAid international staff in the consolidated financial statements and a number of country programmes undergoing staff restructuring that took effect during the year.

The charity paid termination payments totalling £258k (2017: £297k). The level reflects primarily the cost of restructure in seven countries in order to deliver their new strategies.

The number of UK and overseas employees whose total benefits excluding employer pension costs amounted to over £60,000 in the year was as follows:

Employee benefits (excluding employer national insurance contributions and employer pension costs)	2018	2018	2017	2017
	No.	Total pension contribution £000	No.	Total pension contribution £000
£60,000 - £69,999	11	65	9	51
£70,000 - £79,999	11	72	10	89
£80,000 - £89,999	2	22	4	46
£90,000 - £99,999	5	50	3	29
£100,000 - £109,999	1	10	1	9
£120,000 - £129,999	1	11	-	-
£130,000 - £140,000	-	-	1	16
	31	230	28	240

The total employee benefits paid to the Chief Executive were salary and taxable benefits in kind (including employer national insurance contributions) of £121,319 (2017 (former Chief Executive): £151,017) and pension contributions of £10,353 (2017 (former Chief Executive): £15,614).

In the UK, WaterAid makes contributions for its employees to a defined contribution scheme operated by Aegon. Pension contributions due to the Aegon scheme as at 31 March 2018 were £144k (2017: £140k).

The key management personnel of the charity comprise the Trustees, the Chief Executive and the Directors' team. The Trustees' Annual Report provides information on how remuneration is set. The total employee benefits of the key management personnel of the group was £748k (2017: £733k). The key management roles in WaterAid Trading Limited were fulfilled by members of the key management personnel of the charity.

8. Charitable activities expenditure by location

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
West Africa				
Burkina Faso	869	1,998	2,867	2,555
Ghana	536	1,707	2,243	2,472
Liberia	364	348	712	1,003
Mali	882	1,919	2,801	2,873
Niger	407	254	661	718
Nigeria	588	452	1,040	2,182
Sierra Leone	440	60	500	785
Regional management and support costs	835	257	1,092	1,131
	4,921	6,995	11,916	13,719
East Africa				
Ethiopia	774	1,618	2,392	3,227
Kenya	-	-	-	119
Rwanda	411	655	1,066	811
Tanzania	599	1,375	1,974	2,037
Uganda	479	631	1,110	1,853
Regional management and support costs	618	-	618	803
	2,881	4,279	7,160	8,850
Southern Africa				
Lesotho	65	-	65	253
Madagascar	349	1,341	1,690	1,991
Malawi	369	1,780	2,149	1,709
Mozambique	533	3,236	3,769	3,404
Kingdom of eSwatini (previously Swaziland)	314	-	314	228
Zambia	623	1,459	2,082	2,505
Regional management and support costs	840	49	889	750
	3,093	7,865	10,958	10,840
Asia				
Bangladesh	1,969	3,886	5,855	6,042
India	-	-	-	104
Myanmar	348	121	469	-
Nepal	926	1,073	1,999	2,418
Pakistan	1,065	1,641	2,706	3,172
Regional management and support costs	426	145	571	632
	4,734	6,866	11,600	12,368
UK				
Supporting WaterAid globally	4,604	479	5,083	8,496
Other UK direct international programme support costs (including technical and programme effectiveness)	2,895	1,442	4,337	4,420
UK-based policy, campaigns and education costs	2,414	328	2,742	3,317
Allocated UK support costs to charitable activities	6,138	114	6,252	6,211
Exchange losses/(gains)	737	(594)	143	(983)
	32,417	27,774	60,191	67,238

The total cost of supporting partners to deliver water, sanitation and hygiene was £44.9m (2017: £46.7m) and the cost of influencing policy in water, sanitation and hygiene was £10.1m (2017: £11.9m) – see note 6 for further details.

9. Payments to partner organisations

WaterAid has made grants to 150 partners with a total value of £13.4m for the year ended 31 March 2018. For the year ended 31 March 2017, payments were made to 225 partners with a total value of £16.8m. Payments below are those made to implementing partners and this decrease reflects the shift in programmatic approach with a new focus on sector strengthening and less on service delivery. This has led to working with a wider spectrum of partners, as well as continuing our service delivery with our implementing partners.

Transfers have been made to the following number of partners by size:

	2018	2017
	No.	No.
£0- £49,999	82	141
£50,000 - £99,999	27	26
£100,000 - £149,999	14	20
£150,000 - £199,999	11	15
£200,000 - £249,999	3	6
£250,000 and over	13	17
	150	225

The top 20 financial grant recipients in 2017-18 are listed below. These grants are included in the charitable expenditure outlined in notes 6 and 8.

Name of partner	£000	Country
1. Evangelical Lutheran Development Service	680	Malawi
2. SKS Foundation	648	Bangladesh
3. National Rural Support Program	524	Pakistan
4. Wedeco Company Limited	507	Tanzania
5. Dushtha Shasthya Kendra – DSK	459	Bangladesh
6. Les Compagnons Fontaniers du Rwanda	413	Rwanda
7. Association for Gender Awareness and Human Empowerment	405	Pakistan
8. ALPHALOG – Association Libre pour l’Habitat et le Logement	374	Mali
9. Eco-Social Development Organization – ESDO	354	Bangladesh
10. Karnali Integrated Rural Development and Research Centre	341	Nepal
11. Association DAKUPA (DAKUPA)	333	Burkina Faso
12. Village Education Resource Center – VERC	290	Bangladesh
13. CARITAS	259	Madagascar
14. APROFEM – Association pour la Promotion de la Femme et de l’Enfant au Mali	248	Mali
15. CARITAS Mansa	226	Zambia
16. AMEPPE – Association Malienne pour l’Education du Public et la Protection de l’Environnement	213	Mali
17. Nepal Water For Health	199	Nepal
18. ONG pour la Valorisation des Ressources Naturelles (VARENA ASSO)	191	Burkina Faso
19. Centre Culturel Kore	184	Mali
20. ASSOCIATION MANORINTSOA	183	Madagascar
Total of top 20 recipients’ grants	7,031	

10. Fixed assets

The group and charity	Intangible assets		Tangible assets		Total £000
	Software £000	Motor vehicles £000	Equipment and furniture £000		
Cost					
At 1 April 2017	5,263	3,480	5,090		13,833
Additions in year	575	324	358		1,257
Disposals in year	-	(172)	(79)		(251)
At 31 March 2018	5,838	3,632	5,369		14,839
Accumulated amortisation/depreciation					
At 1 April 2017	2,576	3,021	4,437		10,034
Charge for the year	1,284	409	485		2,178
Disposals in year	-	(172)	(77)		(249)
At 31 March 2018	3,860	3,258	4,845		11,963
Net book value					
At 31 March 2018	1,978	374	524		2,876
At 31 March 2017	2,687	459	653		3,799

11. Debtors

Amounts due within one year:	The group		The charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Amount owed by WaterAid Trading Limited and WaterAid international	241	-	1,691	955
Grant debtors	3,782	3,758	3,782	3,758
Other debtors	2,019	795	1,750	239
Gift Aid tax recoverable	487	3,968	486	3,968
Prepayments	928	740	928	740
Other accrued income	1,007	1,034	1,007	1,460
	8,464	10,295	9,644	11,120

Amounts owed by WaterAid Trading Limited or WaterAid international are unsecured, interest free, have no fixed date of repayment and are payable on demand.

12. Investments

WaterAid holds shares which are considered illiquid and have a historical cost of £134 (2017: £172).

13. Fixed asset investments

The company has an unlisted investment with a historical cost of £2 representing its 100% shareholding in WaterAid Trading Limited. WaterAid Trading Limited generates income from licensing agreements made with a number of organisations. It also sells Christmas cards and other goods. A summary of that company's financial position is set out in note 14.

14. WaterAid Trading Limited

WaterAid Trading Limited is incorporated in England and Wales (company number: 02362892). WaterAid Trading Limited's registered office and operational address is: WaterAid, 47-49 Durham Street, London SE11 5JD.

a) Profit and loss account	2018	2017
	£000	£000
Turnover	1,101	938
Cost of sales	(59)	(48)
Gross profit	1,042	890
Administrative expenses	(58)	(49)
Operating profit	984	841
Interest receivable	11	1
Profit on ordinary activities	995	842
Gift Aid to WaterAid under Deed of Covenant	(995)	(842)
Retained earnings	-	-
b) Balance Sheet	2018	2017
	£000	£000
Current Assets		
Debtors	273	102
Cash at bank and in hand	1,416	870
	1,689	972
Creditors		
Amounts due within one year	(1,689)	(972)
	-	-
Represented by:		
Share capital	-	-

WaterAid Trading Limited has a share capital of two £1 ordinary shares (2017: two £1 ordinary shares).

A deed of covenant is in place whereby all profits generated by the company are distributed to the parent charity in the form of a 'Gift Aid' payment. As well as the deed of covenant, WaterAid recognised net income of £77,869 and charged net expenditure of £18,059 as a result of recharges from/to WaterAid Trading Limited.

15. Cash at bank and in hand

	The group		The charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Cash and bank balances in UK	19,751	14,870	18,335	13,890
Cash and bank balances overseas	2,940	2,773	2,940	2,773
	22,691	17,643	21,275	16,663

The increase in UK cash balances mainly resulted from increased income from People's Postcode Lottery received in October 2017 and January 2018 and the timely reclaim of Gift Aid.

16. Creditors: amounts falling due within one year

	The group		The charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade creditors	3,144	2,678	3,144	2,674
Taxation and social security	439	411	284	287
Other creditors	442	246	445	250
Accruals	868	1,110	859	1,085
Deferred income	739	265	664	265
	5,632	4,710	5,396	4,561

The deferred income relates to funding received for activities in a future period.

The movements in deferred income are analysed as follows:

Group and charity	2018 £000	2017 £000
Deferred income at the beginning of the year	265	269
Amounts released from previous years	(265)	(269)
Incoming resources deferred in the year	739	265
Deferred income at the end of the year	739	265

17. Provision for liabilities and charges

	The group		The charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Provisions at beginning of the year	1,247	761	1,247	761
Amount charged to statement of financial activities	902	1,370	902	1,370
Amount released to statement of financial activities	(1,007)	(884)	(1,007)	(884)
Provisions at the end of the year	1,142	1,247	1,142	1,247

Provisions include end of contract provisions for staff on non-UK contracts. These end of contract provisions include lump sums paid at the end of their contract in lieu of the charity paying monthly amounts into a formal pension scheme and/or loyalty payments which are paid on full completion of their service. Other provisions at country level include retentions on building works.

18. Contingent liability

Local tax inspections were undertaken in Madagascar in 2014 and 2015. Contingent liabilities of around £35,000 relate to possible underpayment of PAYE tax for national and international staff in country. At the date of this report, local tax authorities had agreed to continue discussions.

There are some employment cases in country programmes where the former employees are not expected to be successful in their actions. Any financial impact is not expected to be material.

19. Movements in funds

	At 31 March 2017 £000	Incoming resources £000	Outgoing resources £000	Transfers £000	At 31 March 2018 £000
Unrestricted funds:					
Designated funds:					
Fixed assets fund	3,799	1,006	(1,929)	-	2,876
Systems projects	926	-	(585)	-	341
Dilapidation	-	-	-	500	500
Total designated funds	4,725	1,006	(2,514)	500	3,717
General funds	10,796	54,988	(51,055)	(500)	14,229
Total unrestricted funds	15,521	55,994	(53,569)	-	17,946
Restricted funds:					
Bangladesh	742	5,776	(3,752)	-	2,766
Burkina Faso	1,098	991	(1,878)	-	211
East Africa Region	(1)	219	(153)	-	65
Ethiopia	512	2,094	(1,741)	-	865
Ghana	172	1,649	(1,752)	-	69
Liberia	129	240	(130)	-	239
Madagascar	611	1,025	(1,413)	-	223
Malawi	878	1,262	(1,938)	-	202
Mali	623	1,006	(1,851)	-	(222)
Mozambique	1,169	1,906	(3,458)	-	(383)
Myanmar	-	312	(151)	-	161
Nepal	252	1,906	(1,137)	-	1,021
Niger	226	145	(221)	-	150
Nigeria	(48)	671	(476)	-	147
Pakistan	(131)	2,173	(1,705)	-	337
Rwanda	4	965	(663)	-	306
Sierra Leone	355	1	(277)	-	79
Southern Africa Region*	30	31	(49)	-	12
South Asia Region*	239	146	(150)	-	235
Tanzania	508	952	(1,414)	-	46
Uganda	605	539	(513)	-	631
West Africa Region	248	277	(257)	-	268
Zambia	535	1,323	(1,381)	-	477
UK	1,503	1,768	(1,865)	-	1,406
Total restricted funds	10,259	27,377	(28,325)	-	9,311
Total funds	25,780	83,371	(81,894)	-	27,257

The table above is presented at an aggregate country programme level. Included in these balances are funds in deficit which total £3.6m (2017: £3m). These arise due to the timing differences between the income due under individual funding contracts still to be claimed and the actual project expenditure already incurred.

* There was a £26k opening balance adjustment between Southern Africa Region and South Asia Region, without impact on total restricted funds.

Within the restricted funds, Big Lottery Fund income has been recognised for Zambia £3k (2017: £132k), Pakistan £72k (2017: £108k), Madagascar £nil (2017: £232k) and Nepal £206k (2017: £150k).

The HSBC Water Programme has been extended beyond the original five year project for a further three years, increasing the grant by US\$12m to a total of US\$37m over the eight year grant. The project continued working in Pakistan, Nepal, India, Bangladesh, Ghana and Nigeria. £4.0m was received in the year ended 31 March 2018 (2017: £2.2m).

The Trustees' Annual Report explains the main reasons why the group and the charity hold unrestricted funds and the adequacy of these funds at the year end. The reserves policy is reviewed on an annual basis and regularly monitored.

19. Movements in funds (continued)

Designated funds

The Fixed Asset Fund of £2.9m (2017: £3.8m) represents the net book value of the charity's intangible and tangible fixed assets. The fund balance will reduce as depreciation is charged and increase with the acquisition of new fixed assets.

A number of change projects were undertaken under the enabling framework of the global strategy. Of the £3m of unrestricted funds originally designated for this purpose, £0.6m were spent in 2017–18.

A designation of £0.5m was made at 31 March 2018 in relation to dilapidation costs that might be incurred when the lease of our head office runs out in October 2020.

General funds

The Board of Trustees has set a target operational reserve within the general funds to enable WaterAid to meet the potential costs related to any corporate risks materialising. The rationale for these reserves is discussed in the Trustees' Annual Report and the operational reserve targeted for 2017–18 was a range of £11m–£15m. The balance at 31 March 2018 was £14.2m (2017: £10.8m).

Restricted funds

Restricted funds are used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of support costs.

Negative balances are carried forward on funds only where further income is considered highly probable in the following year.

20. Analysis of group net assets between funds

	Fixed assets £000	Net current assets £000	Total funds £000
Restricted funds	-	9,311	9,311
Designated funds	2,876	841	3,717
General funds	-	14,229	14,229
Total funds as at 31 March 2018	2,876	24,381	27,257

21. Taxation and charitable status

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiary WaterAid Trading Limited pays available profits to the charity through Gift Aid under deed of covenant. Its charge to corporation tax in the year was £nil (2017: £nil).

22. Company limited by guarantee

The liability of 44 members (2017: 45) of the charity is limited by guarantee to £1 each.

23. Operating lease commitments

The charity had the following future minimum lease payments under noncancellable operating leases for each of the following periods:

	Land & Buildings	
	2018	2017
	£000	£000
Within one year	1,379	1,361
1 - 2 years	1,384	1,395
2 - 5 years	702	1,985
More than 5 years	-	-
	3,465	4,741

24. Net movement in funds / Net income/(deficit) for the year

This is stated after charging/(crediting):

	2018	2017
	£000	£000
Amortisation and depreciation	2,178	1,793
Trustees' indemnity insurance	6	7
Trustees' reimbursed expenses	8	13
Auditors' remuneration – PwC and its affiliates		
Audit – WaterAid UK	32	32
Audit – WaterAid Trading Limited	7	7
Audit – WaterAid international	-	4
Audit – gift in kind	25	25
Audit – country programmes	20	26
Other services	67	-
Auditors' remuneration – Other audit firms	170	148
Exchange loss/(gain)	143	(983)
UK operating lease rentals – buildings	1,263	1,263

Trustees of the charity do not receive remuneration for their services but are reimbursed for travel and accommodation expenses. 8 Trustees were reimbursed for expenses incurred during the year (2017: 8 Trustees).

Trustee indemnity insurance covers Trustees against personal liability in certain circumstances if legal claims were to be made against them.

The charity paid £208,000 in audit fees in the year ended 31 March 2018 (2017: £217,000). This figure includes £39,000 for the consolidated statutory audit provided by PricewaterhouseCoopers LLP (2017: £43,000), who also provide audit services as a gift in kind with a value of £25,000 (2017: £25,000). Other audit fees relate to overseas country office external audits, project audits and donor grant audits as required by conditions of contracts. These services are provided by a range of audit firms.

25. Related party transactions

WaterAid UK, WaterAid America, WaterAid Australia, WaterAid Canada, WaterAid Sweden, WaterAid India (Jal Seva Charitable Foundation) and WaterAid Japan are members of WaterAid international, operating under licence from WaterAid international to use the name WaterAid. All these organisations share the same objectives and vision. WaterAid receives funding for its charitable objectives from WaterAid America, WaterAid Australia, WaterAid Canada, WaterAid Japan and WaterAid Sweden. WaterAid gives grants to support WaterAid America, WaterAid Australia, WaterAid Canada and WaterAid India in their programmatic, fundraising and organisational development.

	Received from:		Paid to:	
	2018 £000	2017 £000	2018 £000	2017 £000
WaterAid America	4,013	4,153	859	1,347
WaterAid Australia	265	715	438	1,324
WaterAid Canada	2,627	2,251	627	863
WaterAid Japan	-	5	-	94
WaterAid Sweden	5,032	3,749	-	-
WaterAid India	-	-	2,809	4,639
	11,937	10,873	4,733	8,267

There were no transactions between WaterAid UK and WaterAid international during the financial year. WaterAid UK paid £100,890 directly to WaterAid Japan on behalf of WaterAid international's investment fund. WaterAid UK donated services as a gift in kind to WaterAid international in the form of office space and staff costs during the year. The donated services were valued at £490k (2017: £441k).

Full declarations of interest are obtained from Trustees and Directors for their own activities outside of WaterAid governance as well as those of their spouses/ partners and dependents.

Rachel Westcott, the Director of People and Organisational Development, is a Director of Water & Sanitation for the Urban Poor (WSUP). During the year, WaterAid paid £10,000 to WSUP (2017: £10,000) and WaterAid received no funding from WSUP (2017: £nil) and at the year end there was no grant debtor balance (2017: £nil).

Margaret Batty, the Director of Policy and Campaigns, was a Trustee of the International Broadcasting Trust (IBT) until April 2017. During the year, WaterAid paid £5,000 to IBT (2017:£5,000) for annual membership.

Tim Clark, the Chair of The Board of Trustees is a Director of Big Yellow Group Plc. During the year, WaterAid paid £677 (2017: £704) to Big Yellow Plc for storage.

Tim Wainwright, the Chief Executive and Company Secretary of WaterAid, was the Chair of The Board of Trustees until September 2017 and a Trustee until December 2017 of Bond for International Development. During the year, WaterAid paid £5,900 (2017: £nil) to Bond for International Development.

During the year, the group received donations without conditions from individual related parties totalling £17,912 (2017: £6,917).

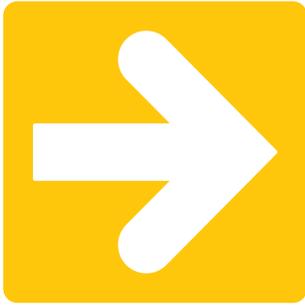
The charity has disclosed all transactions between the charity and the subsidiary, WaterAid Trading Limited, detailed in note 14.

26. Financial Instruments

	2018	2017
	£000	£000
Financial assets		
Cash and bank	22,691	17,643
Grant receivables	3,782	3,758
Other receivables	2,506	4,763
Other accrued income	1,007	1,034
	29,986	27,198
Financial liabilities		
Trade creditors	3,144	2,678
Other creditors	881	657
Accruals	868	1,110
	4,893	4,445

In respect of disclosure of financial instruments, sections 11 and 12 of FRS 102 have been adopted.

All financial assets and liabilities are payable or receivable within one year are therefore measured at an undiscounted amount.



We are determined to make clean water, decent toilets and good hygiene normal for everyone, everywhere within a generation. By tackling these three essentials in ways that last, people can change their lives for good.



**Clean water.
Decent toilets.
Good hygiene.**

Great Place
To
Work.

Best Workplaces™
Medium Category
UK 2018



WaterAid, 47-49 Durham Street, London SE11 5JD

Registered charity numbers 288701 (England and Wales) and SC039479 (Scotland) Company number: 1787329

 **WaterAid**