

**MAZARS & GUERARD**

## **World Water Council**

### **Statutory Auditors' Report**

Financial Statements – Year ended December 31, 2006

(Translated from French into English)

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not, which is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

# **World Water Council**

Association registered under the French law of 1901  
Espace Gaymard  
2-4, Place d'Arvieux  
13002 Marseille France

## **Statutory Auditors' Report**

Financial Statements – Year ended December 31, 2006

**Statutory Auditor's Report**  
**(Translated from French into English)**

**To the General Assembly of members of the World Water Council**  
**(association registered under the French law of 1901)**

In compliance with the assignment entrusted to us by your members' general meeting, we hereby report to you, for the year ended December 31, 2006, on:

- the audit of the accompanying financial statements of the World Water Council association,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Governors. Our role is to express an opinion on these financial statements based on our audit.

**1 Opinion on the financial statements**

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the association as of December 31, 2006, and the results of its operations for the year then ended in accordance with International Accounting Standards.

## 2 Justification of assessments

In accordance with the requirements of article L. 823-9 of the Commercial Code relating to the justification of our assessments, we inform you that the assessments made in the context of the performance of our audit of financial statements taken as a whole, in particular regarding the accounting principles used and significant estimates made by the management, as well as the overall financial statements presentation, don't require any specific comment.

The assessments were thus made in the context of the performance of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of our unqualified audit opinion expressed in the first part of this report.

## 3 Specific verifications and information

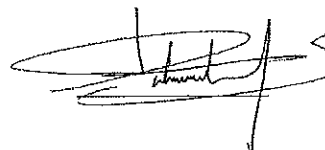
We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Governors, and in the documents addressed to the association's members with respect to the financial position and the financial statements.

*Marseille, June 27, 2007*

Statutory Auditor

MAZARS & GUÉRARD



Patrick Zirah

**World Water Council**  
**Balance sheets as at December 31, 2006 and 2005**

(amounts in Euros)

	Notes	2006	2005
<b>Assets</b>			
<b>Current assets</b>			
Cash and equivalents		488.494	699.051
Grants receivable	(5)	45.000	114.490
Prepaid expenses and other current assets	(6)	14.200	18.271
<b>Total current assets</b>		<b>547.694</b>	<b>831.812</b>
<b>Non current assets</b>			
Office and computer equipment, net	(2c - 9)	126.493	36.209
Deposit		244	244
<b>Total non current assets</b>		<b>126.737</b>	<b>36.453</b>
<b>TOTAL ASSETS</b>		<b>674.431</b>	<b>868.265</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	(7)	245.615	587.169
<b>Total current liabilities</b>		<b>245.615</b>	<b>587.169</b>
Deferred revenue	(4)	44.200	60.091
Long term debt	(8)	13.533	14.463
Provisions for litigation			
Other debts			
<b>TOTAL LIABILITIES</b>		<b>303.348</b>	<b>661.723</b>
<b>FUNDS</b>			
<b>Unrestricted funds</b>			
Undesignated fund		206.542	149.910
Net revenues (expenses) for the year		70.429	56.632
Investment grants	(9)	94.112	
<b>TOTAL FUNDS</b>		<b>371.083</b>	<b>206.542</b>
<b>TOTAL LIABILITIES AND FUNDS</b>		<b>674.431</b>	<b>868.265</b>

**World Water Council**  
**Statements of financial activities**  
**for the year ended December 31, 2006 and 2005**

(amounts in Euros)

	Notes	2006	2005
<b>Revenues</b>			
City government grant	(9)	440.000	461.713
Other government grants	(10)	529.740	344.400
Other grants		180.000	40.000
Membership fees	(11)	160.301	181.141
Admission fees to the 4th WWF		200.822	
Consulting fees		20.027	92.840
<b>Total revenues</b>		<b>1,530,890</b>	<b>1,120,094</b>
<b>Expenses</b>			
Salaries and benefits		713.911	610.847
General administrative		481.598	334.594
Professional fees	(12)	250.704	119.701
Depreciation of office and computer equipment	(2c)	14.300	18.257
<b>Total expenses</b>		<b>1,460,513</b>	<b>1,083,399</b>
<b>Net operating revenues (expenses) for the year</b>		<b>70.377</b>	<b>36.695</b>
<b>Net non operating revenues (expenses) for the year</b>	(13)	<b>52</b>	<b>19.937</b>
<b>Net revenues (expenses) for the year</b>		<b>70.429</b>	<b>56.632</b>
<b>Funds balances, at beginning of year</b>		<b>206.542</b>	<b>149.910</b>
<b>Funds balances, at end of year</b>		<b>276.971</b>	<b>206.542</b>

**World Water Council**  
**Statements of cash flows**  
**for the year ended December 31, 2006 and 2005**

(amounts in Euros)

	Notes	2006	2005
<b>Cash Flows from Operating activities</b>			
Net revenues (expenses) for the year		70.429	56.632
Adjustments to reconcile net revenues (expenses) to net cash provided by (used in) operating activities :			
Depreciation and provision	(2)	14.300	18.257
Grants receivable	(5)	69.490	101.730
Prepaid expenses and other current assets	(6)	4.071	14.460
Accounts payable and accrued liabilities	(7)	(341.554)	345.368
Deferred revenues	(4)	(15.891)	33.091
<b>Net cash provided by (used in) operating activities</b>		<b>(199.155)</b>	<b>569.538</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of office furniture and computer equipment		(10.472)	(26.854)
<b>Net cash used in investing activities</b>		<b>(10.472)</b>	<b>(26.854)</b>
<b>Cash Flows from Financing Activities</b>			
Reimbursement of long term debt		(930)	(920)
<b>Net cash used in financing activities</b>		<b>(930)</b>	<b>(920)</b>
<b>Net increase (decrease) in cash</b>		<b>(210.557)</b>	<b>541.764</b>
<b>Cash at beginning of the year</b>		<b>699.051</b>	<b>157.287</b>
<b>Cash at end of the year</b>		<b>488.494</b>	<b>699.051</b>

**World Water Council  
Change in funds**

(in Euros)

<b>Funds as at December 31, 2006</b>	<b>276.971</b>
Net revenues for the year 2006	70.429
<b>Funds as at December 31, 2005</b>	<b>206.542</b>



## **World Water Council**

### **Notes to financial statements December 31, 2006**

#### **1) Purpose of the Council**

The World Water Council is an association registered under the French law of 1901 devoted to the critical issues of long term global water policy and to advocating solutions to problems of water resources management. The Council was created in June 1996 in Marseilles. Its members include principally a wide cross section of individuals and organisations concerned with the various aspects of international water policy.

#### **2) Significant Accounting policies**

##### **a) Basis of preparation**

The financial statements have been prepared and presented in accordance with the International Accounting Standards Committee (IASC). Revenues are reported separately based on the existence or absence of imposed restrictions. In the accompanying financial statements, funds have been defined as being unrestricted and may be designated for specific projects or may otherwise be used for general expenses.

##### **b) Revenue recognition**

Government grants are recognised when there is reasonable assurance that :

- the Council will comply with the conditions attaching to them, or representation has been received from authoritative bodies that the grants are unconditional ;
- the grants will be received.

Government grants are recognised in income entirely in the period in which they become receivable unless a contract identifies costs which they are intended to compensate, in which case they are deferred and recognised as income over the periods necessary to match them with the related costs, on a systematic basis.

The membership fees are unrestricted and are recognised as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Seminar fees are recognised when the seminars are held.

**c) Office and computer equipment**

Office and computer equipment are stated at cost less accumulated depreciation.

The assets are depreciated on a straight-line basis over their estimated useful lives, which for office furniture is 4 years and computer equipment is 5 years.

Maintenance and repairs are charged to expense when incurred.

**d) Foreign currency translation**

Revenues and expenses denominated in foreign currencies are translated using exchange rates at transaction date.

Translation gains and losses that arise from exchange rate changes denominated in currencies other than the local currency are included in the statements of activities, as incurred.

**e) Use of estimates**

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**3) Participation in international projects**

In March 2006, the World Water Council held its fourth World Water Forum in Mexico.

The years 2007 and 2008 will be dedicated to the preparation of the fifth World Water Forum to be held in Turkey in 2009.

**4) Deferred revenue**

According to the accounting policy in 2(b), deferred revenue represents unrestricted membership fees or government grants received during the current year that are related to the following periods.

## 5) Grants receivable

Grants receivable consist of the following (in Euros) :

	2006	2005
Société des Eaux de Marseille	-	40,000
French department of environment	30,000	48,000
French department of foreign affairs	15,000	
AGCE	-	1,490
AMALAS	-	25,000
<b>Total</b>	<b>45,000</b>	<b>114,490</b>

## 6) Prepaid expenses and other current assets

Prepaid expenses and other current assets include the following (in Euros) :

	2006	2005
Prepaid expenses	6,205	4,640
Other receivables	7,101	11,163
Advances on salaries	894	2,468
<b>Total</b>	<b>14,200</b>	<b>18,271</b>

## 7) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities can be analysed as follows (in Euros) :

	2006	2005
Trade accounts payable	40,148	114,041
Accrued taxes	6,261	7,089
Accrued payroll	121,734	163,635
Other payables	1,673	2,404
Hassan II Price	75,799	
Grants received on partners' behalf	-	300,000
<b>Total</b>	<b>245,615</b>	<b>587,169</b>

## 8) Long term debt

Long term debt consists of the debt towards the French organisation “ Société des Eaux de Marseille”. The membership fee of “Société des Eaux de Marseille” is deducted annually as a reimbursement of the long term debt. This debt does not bear interest.

## 9) City government grant

The City of Marseilles makes available, in the form of administrative and technical assistance, an administrative team for an estimated annual cost of Euros 98,905 in 2006.

Furthermore, the City of Marseilles has made available since 1996 to the Council premises (offices of the World Water Council) for an estimated annual cost of Euros 224,714 in 2006.

Besides, since 2006, the office and computer equipments made available by the City of Marseilles are booked as non current assets as if the World Water Council was the owner and as counterpart, an investment grant is booked in unrestricted funds. This grant is recognized as a revenue when the depreciation is taken into account.

### Grants :

An amount of Euros 434,771 was received in cash by the World Water Council in 2006 as a contribution of the City of Marseilles :

	(Euros)
First down payment on the 2006 grant	219,852
2 <sup>nd</sup> down payment on the 2006 grant	<u>214,919</u>
	434,771
2005 adjustment	5,229

Total 2006 statement of the City of Marseilles Grant : Euros 440,000

## 10) Other government grants

Other government grants are detailed as follows (in Euros) :

	2006	2005
French Development agency	60,000	-
BRGM	4,016	-
Inter American Bank of development	15,613	-
AMALAS	203,540	101,940
AGCE	-	2,980
French Foreign Office	38,959	76,000
Swiss Agency for Development and Cooperation	12,612	51,816
French department of environment	186,000	60,000
Vision lost grants	-	(809)
Italian Foreign Office	-	50,000
Other grants	9,000	2,473
<b>Total</b>	<b>529,740</b>	<b>344,400</b>

### 11) Membership fees

Since 1998, the Council has been raising invoices to its members.

In accordance with the principles set out in Note 2b, membership fees have been recognised as revenue only when collection is reasonably assured.

The analysis thereof is as follows (in Euros):

	2006	2005
2006 membership fees	153,585	
2005 membership fees	5,796	179,957
2004 membership fees	920	1,184
<b>Net revenue</b>	<b>160,301</b>	<b>181,141</b>

### 12) Professional fees

Professional fees are detailed as follows (in Euros) :

	2006	2005
Lawyer fees	1,196	3,062
Consulting fees (for specific programs)	120,696	39,404
Accounting fees	55,973	49,813
Audit fees	13,314	11,000
Translating fees	34,908	236
Data processing consulting	22,873	8,101
Other fees	1,744	8,085
<b>Total</b>	<b>250,704</b>	<b>119,701</b>

### 13) Net non operating revenues (expenses)

Non operating revenues (expenses) can be analysed as follows (in Euros) :

	2006	2005
Net exchange gain (loss) (Note 2d)	(2,525)	15,073
Financial revenues	4,080	4,881
Other	(1,503)	(17)
<b>Total</b>	<b>52</b>	<b>19,937</b>

#### **14) Pensions plans**

In France, the Council contributes to the national pension system and its obligations to employees are restricted to a lump sum length of service award payable at the date that the employee reaches retirement age, such award being determined for each individual based upon years of service provided and projected final salary.

No current evaluation of future length of service award liability has been performed as at December 31, 2006. Management of the Council considers that the corresponding benefit is not significant and therefore no long-term liability in the balance sheet has been recorded at that date.

#### **Post retirement benefits other than pensions**

Substantially all of the Council's employees are covered under Government sponsored post retirement health and life insurance benefit plans. The Council accordingly has no significant liability to its employees in terms of post retirement benefits other than pensions and no provision is consequently made.

#### **15) Income tax status**

The Council is registered under the French law of "Association du type Loi 1901". The Council is considered as being a not for profit organisation and therefore is exempt from income tax.