

World Water Council

Statutory Auditors' Report

Financial Statements – Year ended December 31, 2008

(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, 2008

**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, 2008, 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 checking, on a test basis or on other way of selection, informations justifying the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made by the management and the overall financial statements presentation. We believe that informations collected during our audit are sufficient and appropriate to build our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the association as of December 31, 2008, and the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

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 bring to your attention the following matters :

Accounting policies

The note 2 of the notes to financial statements presents the significant accounting policies used by the association and in particular those related to revenue recognition.

As part of our assessment of accounting policies used by your association, we have verified the accuracy of accounting policies mentionned above and of informations presented in the notes to financial statements and we have made sure of their correct implementation.

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 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.

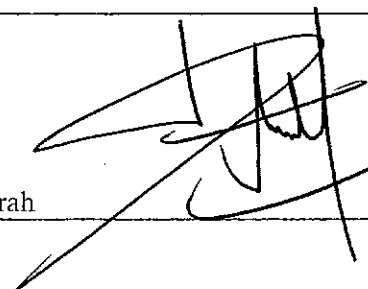
We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Governors, and in the documents addressed to the association's members with respect to the financial position and the financial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

Marseille, June 24, 2009

Statutory Auditor

MAZARS

Patrick Zirah

A handwritten signature in black ink, appearing to be 'Patrick Zirah', is written over a horizontal line. The signature is stylized with large, sweeping strokes.

World Water Council
Balance sheets as at December 31, 2008 and 2007

(amounts in Euros)

	Notes	2008	2007
Assets			
Current assets			
Cash and equivalents		1,071,173	1,356,658
Grants receivable	(5)	69,607	
Prepaid expenses and other current assets	(6)	60,896	30,675
Total current assets		1,201,676	1,387,333
Non current assets			
Office and computer equipment, net	(2c - 9)	100,589	96,227
Deposit		244	244
Total non current assets		100,833	96,471
TOTAL ASSETS		1,302,509	1,483,804
LIABILITIES			
Accounts payable and accrued liabilities	(7)	359,879	216,562
Total current liabilities		359,879	216,562
Deferred revenue	(4)	379,540	787,280
Long term debt	(8)	11,673	12,603
Provisions for litigation			
Other debts			
TOTAL LIABILITIES		751,092	1,016,445
FUNDS			
Unrestricted funds			
Undesignated fund		398,726	276,971
Net revenues (expenses) for the year		109,537	121,755
Investment grants	(9)	43,154	68,633
TOTAL FUNDS		551,417	467,359
TOTAL LIABILITIES AND FUNDS		1,302,509	1,483,804

World Water Council
Statements of financial activities
for the year ended December 31, 2008 and 2007

(amounts in Euros)

	Notes	2008	2007
Revenues			
City government grant	(9)	440,000	440,000
Other government grants	(10)	1,280,117	605,771
Membership fees	(11)	161,322	174,052
WWC consulting fees		12,974	
Total revenues		1,894,413	1,219,823
Expenses			
Salaries and benefits		785,629	553,980
General administrative		580,484	336,341
Professional fees	(12)	417,239	207,354
Depreciation of office and computer equipment	(2c)	18,652	11,074
Total expenses		1,802,004	1,108,749
Net operating revenues (expenses) for the year		92,409	111,074
Net non operating revenues (expenses) for the year	(13)	17,128	10,681
Net revenues (expenses) for the year		109,537	121,755
Funds balances, at beginning of year		398,726	276,971
Funds balances, at end of year		508,263	398,726

World Water Council
Statements of cash flows
for the year ended December 31, 2008 and 2007

(amounts in Euros)

	Notes	2008	2007
Cash Flows from Operating activities			
Net revenues (expenses) for the year		109,537	121,755
Adjustments to reconcile net revenues (expenses) to net cash provided by (used in) operating activities :			
Depreciation and provision	(2)	18,652	11,074
Grants receivable	(5)	(69,607)	45,000
Prepaid expenses and other current assets	(6)	(30,221)	(16,475)
Accounts payable and accrued liabilities	(7)	143,316	(29,053)
Deferred revenues	(4)	(407,740)	743,080
Net cash provided by (used in) operating activities		(236,063)	875,381
Cash Flows from Investing Activities			
Purchase of office furniture and computer equipment		(48,492)	(6,287)
Net cash used in investing activities		(48,492)	(6,287)
Cash Flows from Financing Activities			
Reimbursement of long term debt		(930)	(930)
Net cash used in financing activities		(930)	(930)
Net increase in cash		(285,485)	868,164
Cash at beginning of the year		1,356,658	488,494
Cash at end of the year		1,071,173	1,356,658

**World Water Council
Change in funds**

(in Euros)

Funds as at December 31, 2008	508,263
Net revenues for the year 2008	109,537
Funds as at December 31, 2007	398,726
Net revenues for the year 2007	121,755
Funds as at December 31, 2006	276,971

World Water Council

Notes to financial statements

December 31, 2008

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 accounting rules and principles applicable in France. 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 were dedicated to the preparation of the fifth World Water Forum held in Turkey in March 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) :

	2008	2007
Water RMC Agency	40,000	-
Colin Herron's mission	29,607	-
Total	69,607	-

6) Prepaid expenses and other current assets

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

	2008	2007
Prepaid expenses	30,799	19,247
Other receivables	28,616	9,756
Advances on salaries	1,481	1,672
Total	60,896	30,675

7) Accounts payable and accrued liabilities

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

	2008	2007
Trade accounts payable	166,017	55,522
Accrued taxes	4,144	2,715
Accrued payroll	104,493	87,972
Other payables	14,279	2,410
Hassan II Price	70,946	67,943
Total	359,879	216,562

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 127,300 in 2008.

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 261,725 in 2008.

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 440,000 was received in cash by the World Water Council in 2008 as a contribution of the City of Marseilles :

	(Euros)
First down payment on the 2008 grant	220,000
2 nd down payment on the 2008 grant	<u>220,000</u>
	440,000

Total 2008 statement of the City of Marseilles Grant: Euros 440,000

10) Other government grants

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

	2008	2007
Dutch Public Working Office	258,000	-
Japan Water Forum	10,000	-
SEM	100,000	-
ANEAS	43,784	-
Water RMC Agency	40,000	-
DSI Forum	554,000	450,000
French Foreign Office	153,000	35,000
French department of environment	120,000	120,000
Other grants	1,333	771
Total	1,280,117	605,771

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):

	2008	2007
2008 membership fees	152,686	-
2007 membership fees	6,270	162,672
2006 membership fees	2,366	11,380
Net revenue	161,322	174,052

12) Professional fees

Professional fees are detailed as follows (in Euros) :

	2008	2007
Lawyer fees	-	3,636
Consulting fees (for specific programs)	270,684	52,000
Accounting fees	62,395	61,613
Audit fees	14,213	14,906
Translating fees	20,254	6,111
Data processing consulting	25,791	67,983
Other fees	23,902	1,105
Total	417,239	207,354

13) Net non operating revenues (expenses)

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

	2008	2007
Net exchange gain (loss) (Note 2d)	(1,337)	1,873
Financial revenues	18,465	12,385
Other		(3,577)
Total	17,128	10,681

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, 2008. 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.