

MEKONG RIVER COMMISSION

**Financial Statements
for the year ended 31 December 2006**

Mekong River Commission
Financial Statements for the year ended 31 December 2006

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REPORT OF THE INDEPENDENT AUDITORS

To the members of the Joint Committee of the Mekong River Commission

Scope

We have audited the financial statements of the Mekong River Commission (“the Commission”) set out on pages 2 to 8, comprising the balance sheet as at 31 December 2006 and the related income and expenditure statement for the year then ended. These financial statements are the responsibility of the Commission’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements have been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards.

Audit Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Mekong River Commission as at 31 December 2006 and its income and expenditure for the year then ended in accordance with the basis of accounting and the accounting policies set out in Notes 2 and 3.

KPMG Lao Co., Ltd.
Vientiane
22 March 2007



Mekong River Commission
Balance Sheet as at 31 December 2006

	Notes	2006 USD	2005 USD
Assets			
Cash on hand and at banks	4	8,566,868	8,820,409
Advances, accounts receivable and prepayments	5	435,563	720,749
Deposits		5,610	5,610
Total Assets		<u>9,008,041</u>	<u>9,546,768</u>
Liabilities			
Relocation project loan	6	480,000	540,000
Other liabilities	7	304,778	31,468
Total Liabilities		<u>784,778</u>	<u>571,468</u>
Net Assets		<u><u>8,223,263</u></u>	<u><u>8,975,300</u></u>
Represented by:			
Fund Balances			
Government of Australia		223,793	286,650
Asian Development Bank		398,586	399,583
Government of Denmark		2,761,651	3,127,240
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH		321,331	127,303
European Commission	8	(6,279)	71,136
Government of Finland		763,641	1,335,593
Government of France		309,158	74,908
International Bank for Reconstruction and Development		21,332	176,591
Government of Japan		353,973	679,600
Murray Darling Basin Commission		8,598	28,812
Government of Netherlands		360,045	469,497
Government of New Zealand		64,256	56,762
Government of Norway		-	-
Government of Sweden		459,061	1,023,457
Government of Switzerland	8	-	(26,942)
Government of Belgium		2,022,812	1,175,606
UNDP Cambodia		10,496	2,301
Government of the United States		107,021	163,752
Australian Centre for International Agricultural Research		-	53,879
Others	8	55,855	(44,493)
Operating Expense Budget Surplus		467,933	334,065
Relocation project fund	6	(480,000)	(540,000)
Total Fund Balance		<u><u>8,223,263</u></u>	<u><u>8,975,300</u></u>

The notes set out on pages 4 to 8 form an integral part of these statements

Approved by:



Dr. Olivier Cogels
 Chief Executive Officer



Dr. Dirk Overweg
 Chief Finance and Administration

Mekong River Commission
Income and Expenditure Statement for the year ended 31 December 2006

	Notes	2006 USD	2005 USD
Contributions			
Donors	9	10,925,732	13,754,662
Riparian governments	10	1,157,253	1,078,332
Others		106,935	-
		<u>12,189,920</u>	<u>14,832,994</u>
Revenue			
Interest	11		
Miscellaneous	12	7,207	13,883
		10,323	11,876
		<u>17,530</u>	<u>25,759</u>
Total Income		<u>12,207,450</u>	<u>14,858,753</u>
Expenditure			
<i>Project expenditure</i>			
	11		
Personnel services		5,370,859	5,888,778
Sub-contracts		956,229	539,478
Training		1,064,668	1,106,553
Equipment		550,812	834,765
Miscellaneous expenses		774,183	632,513
Water Utilisation Programme ("WUP")		2,179,932	2,126,540
		<u>10,896,683</u>	<u>11,128,627</u>
<i>Relocation project</i>			
Secretariat relocation expenditure	6	-	14,984
<i>Administrative expenditure</i>			
Staff salary and fees		745,111	671,086
Common staff costs		412,726	402,500
Travel		19,668	22,047
Contractual services		157,942	141,484
General operating expenses		276,558	180,726
Supplies		27,879	27,571
Furniture and equipment		66,022	70,290
MRC meeting expenses		168,548	146,489
Support to National Mekong Committees		44,901	54,605
WUP management support		147,978	167,198
		<u>2,067,333</u>	<u>1,883,996</u>
Total Expenditure		<u>12,964,016</u>	<u>13,027,607</u>
Foreign exchange gain/(loss)		4,529	(3,290)
Movement in Fund Balances		(752,037)	1,827,856
Fund Balance as at 1 January		8,975,300	7,147,444
Fund Balance as at 31 December		<u>8,223,263</u>	<u>8,975,300</u>

The notes set out on pages 4 to 8 form an integral part of these statements

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These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Principal activities

The Mekong River Commission (“MRC” or “the Commission”) was established in 1995 with the signing of the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin. The MRC member countries are Cambodia, the Lao PDR, Thailand and Vietnam, with China and Myanmar as dialogue partners.

The role of the MRC is to promote and coordinate sustainable management and development of water and related resources for the countries’ mutual benefit and the people’s well being. It fulfils this role by providing scientific information and policy advice and implementing strategic programs and activities in accordance with the 1995 Agreement.

2. Basis of preparation

The financial statements, expressed in United States Dollars (“USD”), have been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Mekong River Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards. Under this basis of accounting, income is recognised when received rather than earned, except for interest income which is recognised when earned. Expenditure is recognised when paid rather than incurred, except for: staff health and life insurance premiums, personal telephone costs charged to staff and repatriation fee, which are recognised on an accruals basis; and advances to National Mekong Committees, projects and employees, which are recognised when cleared.

3. Summary of significant accounting policies

(a) Property and equipment

For control and management purposes, a memorandum account for property and equipment is maintained by way of a property and equipment listing. All property and equipment is expended in full at the date of acquisition.

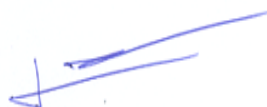
(b) Advances

Monies advanced to National Mekong Committees, projects and employees are recorded under the advances, accounts receivable and prepayments account on the balance sheet. Advances spent on projects or secretariat operations are recorded as expenditure in the period that they are reported to the Mekong River Commission Secretariat.



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(c) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than USD are translated into USD at rates of exchange ruling at the balance sheet date. Transactions in currencies other than USD are translated into USD at the MRC operational rates of exchange on the date of the transactions. All exchange differences are recorded in the income and expenditure statement.

4. Cash on hand and at banks

	2006	2005
	USD	USD
Cash on hand	245	517
Cash at banks	8,566,623	8,819,892
	<u>8,566,868</u>	<u>8,820,409</u>

5. Advances, accounts receivable and prepayments

	2006	2005
	USD	USD
Advances for general project expenditure	198,516	587,016
Other advances	236,642	114,615
Accounts receivable	405	19,118
	<u>435,563</u>	<u>720,749</u>

Advances for general project expenditure represent imprest funds given to some satellite projects for petty cash expenses and other disbursements within their limits of authority. The related project expenditure is charged to the income and expenditure statement upon submission of clearance forms. Other advances are education allowances of staff dependants attending training. Accounts receivable are personal telephone calls to be collected from staff as a deduction from payroll, prepaid insurance and medical claims.

6. Relocation project loan

This represents the drawdown of a loan facility amounting to USD600,000 from the Government of the Lao PDR which was used to finance the MRC Secretariat relocation to Vientiane (Lao PDR). The loan is unsecured and interest free. The MRC shall repay the loan gradually, upon availability of surplus funds from the MRC Operational Expense Budget ("OEB") and/or funds made available from other sources, within five years; this may be extended to a maximum of ten years. The use of surpluses from the OEB funds shall be subject to the approval of the Joint Committee.

During the year, the MRC made the second repayment amounting to USD60,000 therefore total repayment amounting to USD120,000.

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7. Other liabilities

	2006	2005
	USD	USD
Accrued repatriation fee	198,026	18,244
Advance received for new project fund	104,420	-
Others	2,332	13,224
	<u>304,778</u>	<u>31,468</u>

Accrued repatriation fee represent the MRC expatriate staff separation fees payable on leaving the MRC to return their home country. In 2006 the repatriation fee charged to the administrative expenditure amounted to USD4,618 (2005: USD18,244) and charged to the project expenditure amounted to USD175,164.

8. Negative fund balances

The relocation project fund is described in Note 6 above. Other negative fund balances represent expenditures incurred in excess of receipts. These deficits are expected to be reimbursed by the donors.

9. Contributions from donors

	2006	2005
	USD	USD
Cash received from donors	11,033,289	13,702,703
Interest earned on donors' funds	53,152	23,494
Contributions returned to donors	(112,895)	(1,750)
Contributions transferred to OEB budget	(107,010)	
Other income	59,195	30,215
	<u>10,925,732</u>	<u>13,754,662</u>

Main donors in the year include the governments of Australia, Belgium, Denmark, Finland, Japan, Sweden, Switzerland and the Netherlands and the World Bank.

The contributions per donor comprise the following:

	2006	2005
	USD	USD
Government of Australia	205,593	433,829
Asian Development Bank	-	399,583
Government of Denmark	2,246,528	4,101,391
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH	219,005	299,335
European Commission	61,876	215,108

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Mekong River Commission
Notes to the financial statements for the year ended 31 December 2006 (continued)

Government of Finland	497,303	1,267,889
Government of France	390,352	-
International Bank for Reconstruction and Development	1,335,847	1,801,067
Government of Japan	332,292	660,103
Murray Darling Basin Commission	-	94,209
Government of Netherlands	1,863,410	297,169
Government of New Zealand	70,109	15,620
Government of Sweden	1,582,620	1,857,546
Government of Switzerland	44,709	321,551
Government of Belgium	1,337,780	1,178,455
UNDP Cambodia	10,721	47,641
Government of the United States	385,148	448,241
Others	282,437	255,925
	10,865,732	13,694,662
Reimbursement relocation loan	60,000	60,000
	10,925,732	13,754,662

Contributions returned to donors comprise the following:

	2006	2005
	USD	USD
The Royal Danish Embassy 8.1\30\01\DEN	112,895	-
Miscellaneous 1.1\00\04\OTHT	-	440
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH 3.4/09/04/GTZ	-	1,310
	<u>112,895</u>	<u>1,750</u>

10. Contributions from riparian governments

	2006	2005
	USD	USD
Cambodia	264,534	250,328
Lao PDR	264,534	250,328
Thailand	321,536	294,703
Vietnam	306,649	282,973
	<u>1,157,253</u>	<u>1,078,332</u>

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Chief Executive Officer



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Chief Finance and Administration

11. Secretariat support costs and other government contributions

Revenue for secretariat support costs and other government contributions comes from donors. Secretariat support costs are calculated at 11% of expenditure for most projects. The revenue is used to cover the expenses of the Commission's Secretariat in rendering technical and administrative services to the projects. Other government contributions have been received from the governments of Australia, Denmark, Japan and Sweden to fund specific services at the Commission's Secretariat. These balances have been eliminated on preparation of the financial statements for the MRC as a whole as set out below.

	2006	2005
	USD	USD
Secretariat support costs – Income	873,552	873,712
Other government contributions	-	50,000
Professional revenue	41,402	-
	<hr/>	<hr/>
	914,954	923,712
	<hr/>	<hr/>
Secretariat support costs – Expense	914,954	923,712
	<hr/>	<hr/>

12. Interest

Interest is earned on MRC funds and contributions from donors. The interest is used following the specific agreement between MRC with the donors for either project expenditures or OEB expenditures, or is returned to the donors.


13. Provident fund

The Commission manages a provident fund, which had a balance at 31 December 2006 of USD1,511,697 (2005:USD 1,400,660), to provide a savings scheme in lieu of a pension fund on behalf of 130 (2005:123) members of staff eligible for the scheme. Staff and Commission contributions are banked in a separate bank account. The Commission's contributions to the fund are included in the income and expenditure statement, as personnel services in respect of project expenditure, and as staff salaries and fees in respect of administrative expenditure; the provident fund is not otherwise reflected in the financial statements of the Commission.

Approved by:



Dr. Olivier Cogels
Chief Executive Officer



Dr. Dirk Overweg
Chief Finance and Administration