

MEKONG RIVER COMMISSION
Financial Statements
for the year ended 31 December 2004

Mekong River Commission
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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 7, comprising the balance sheet as at 31 December 2004 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 2004 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.
KPMG Lao Co., Ltd.
Vientiane
25 February 2005



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Mekong River Commission
Balance Sheet as at 31 December 2004

	Notes	2004 USD	2003 USD
Assets			
Cash on hand and at banks	4	7,054,341	3,825,313
Advances, accounts receivable and prepayments	5	691,490	700,031
Deposits		4,710	4,710
Total Assets		<u>7,750,541</u>	<u>4,530,054</u>
Liabilities			
Relocation project loan	6	600,000	122,350
Accounts payable		3,097	3,257
Total Liabilities		<u>603,097</u>	<u>125,607</u>
Net Assets		<u>7,147,444</u>	<u>4,404,447</u>
Represented by:			
Fund Balances			
Government of Australia		225,329	226,593
Asian Development Bank	7	-	(9,365)
Government of Denmark		2,751,160	1,188,189
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH		95,390	108,977
European Commission		1,269	16,329
Government of Finland		915,146	190,657
Government of France		135,284	318,403
International Bank for Reconstruction and Development	7	(193,262)	(5,549)
The Institute for Sciences and Techniques of the Equipment and the Environment for Development	7	-	(4,993)
Government of Japan		476,390	713,603
Murray Darling Basin Commission	7	(18,372)	(6,423)
Government of Netherlands	7	1,375,971	(6,734)
Government of New Zealand		69,259	5,001
Government of Norway		412	72,655
Government of Sweden		1,017,907	917,552
Government of Switzerland		573,726	555,690
UNDP Cambodia		11,308	48,061
Government of the United States Australian Centre for International Agricultural Research		61,409	24,628
		25,588	-
Others		14,997	32,660
Operating Expense Budget Surplus		193,549	51,851
Relocation project fund	6	(585,016)	(33,338)
Total Fund Balances		<u>7,147,444</u>	<u>4,404,447</u>

The notes set out on pages 4 to 7 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 2004

	Notes	2004 USD	2003 USD
Contributions			
Donors	8	12,897,394	10,232,904
Riparian governments	9	1,006,586	941,359
		<u>13,903,980</u>	<u>11,174,263</u>
Revenue	10		
Interest	11	5,293	8,580
Miscellaneous		21,014	13,936
		<u>26,307</u>	<u>22,516</u>
Total Income		<u>13,930,287</u>	<u>11,196,779</u>
Expenditure			
<i>Project expenditure</i>	10		
Personnel services		4,706,284	5,278,623
Sub-contracts		429,291	256,483
Training		944,343	1,002,231
Equipment		493,199	468,958
Miscellaneous expenses		383,427	453,254
Water Utilisation Programme ("WUP")		1,915,798	2,321,371
		<u>8,872,342</u>	<u>9,780,920</u>
<i>Relocation project</i>			
Secretariat relocation expenditure	6	551,678	33,338
<i>Administrative expenditure</i>			
Staff salary and fees		702,053	929,515
Common staff costs		392,080	391,311
Travel		3,420	3,639
Contractual services		60,826	100,143
General operating expenses		168,343	183,615
Supplies		31,431	26,111
Furniture and equipment		18,634	39,601
MRC meeting expenses		157,243	129,244
Support to National Mekong Committees		52,487	64,856
WUP management support		168,997	154,159
		<u>1,755,514</u>	<u>2,022,194</u>
Total Expenditure		<u>11,179,534</u>	<u>11,836,452</u>
Foreign exchange (loss)/gain		(7,756)	1,330
Movement in Fund Balances		<u>2,742,997</u>	<u>(638,343)</u>
Fund Balances as at 1 January		<u>4,404,447</u>	<u>5,042,790</u>
Fund Balances as at 31 December		<u>7,147,444</u>	<u>4,404,447</u>

The notes set out on pages 4 to 7 form an integral part of these statements

Approved by:


 Dr. Olivier Cogels
 Chief Executive Officer


 Dr. Dirk Overweg
 Chief Finance and Administration

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 the 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 and personal telephone costs charged to staff, 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.

(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.

(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 ruling on the date of transaction. All exchange differences are recorded in the income and expenditure statement.

4. Cash on hand and at banks

	2004	2003
	USD	USD
Cash on hand	-	931
Cash at banks	7,054,341	3,824,382
	<u>7,054,341</u>	<u>3,825,313</u>

5. Advances, accounts receivable and prepayments

	2004	2003
	USD	USD
Advances for general project expenditure	506,459	532,056
Other advances	173,968	161,056
Accounts receivable	11,063	6,919
	<u>691,490</u>	<u>700,031</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 generation of surpluses from the OEB funds shall be subject to the approval of the Joint Committee.

During the year, the MRC incurred expenditure of USD551,678 (2003: USD33,338) for the relocation project. No repayment had been made by 31 December 2004.

7. Fund balances

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

The Murray Darling Basin Commission fund balance is negative because its projects operate on a reimbursement basis rather than an upfront cash funding basis; hence there are always timing differences between spending the funds and claiming reimbursement.

8. Contributions from donors

	2004	2003
	USD	USD
Project contributions from donors	12,827,792	10,151,369
Interest earned on donors' funds	11,560	12,538
Contributions returned to donors	(105,662)	(76,759)
Other income	163,704	145,756
	<u>12,897,394</u>	<u>10,232,904</u>

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

Contributions returned to donors comprise the following:

	2004	2003
	USD	USD
USAID Manila		
3.1\53\03\USA	89,255	-
3.1\53\04\USA	10,085	-
Miscellaneous		
1.1\00\04\OTHT	141	-
Government of Switzerland		
3.6/01/99/SWI	-	32,294
8.1/22/99/SWI	-	18,767
United Nations Development Programme		
7.1/20/99/UNP	-	11,772
7.1/21/99/UNP	-	2,469
Other refunds	<u>6,181</u>	<u>11,457</u>
	<u>105,662</u>	<u>76,759</u>

Other refunds include interest earned from project funds.

9. Contributions from riparian governments

	2004	2003
	USD	USD
Cambodia	237,414	225,673
Lao PDR	237,414	225,673
Thailand	270,309	248,132
Vietnam	261,449	241,881
	<u>1,006,586</u>	<u>941,359</u>

10. 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.

	2004	2003
	USD	USD
Secretariat support costs – Income	683,015	815,928
Other government contributions	189,060	282,459
	<u>872,075</u>	<u>1,098,387</u>
Secretariat support costs – Expense	<u>872,075</u>	<u>1,098,387</u>

11. Interest

Interest is earned on MRC funds and contributions from donors. Interest is credited to the OEB interest balance with the exception of interest earned on contributions received from Australia, Denmark, the European Commission, Finland, GTZ, Norway, Sweden, Switzerland and the UNDP, which is included in project contributions from donors.

12. Provident fund

The Commission manages a provident fund, which had a balance at 31 December 2004 of USD1,354,923 (2003: USD 1,308,989), to provide a savings scheme in lieu of a pension fund on behalf of 100 (2003: 96) 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.

13. Commitments

	2004	2003
	USD	USD
Project expenditure	182,049	-
Operating expenses	66,032	-
	<u>248,081</u>	<u>-</u>

USD244,581 of the commitments represent cheques and telegraphic transfers that were issued shortly before the year end but were not cleared before 31 December 2004. These payments will be reflected in the expenditure for 2005, in addition to the expenditure originally budgeted for that year.