

MEKONG RIVER COMMISSION

**Financial Statements
for the year ended 31 December 2008**

Mekong River Commission
Financial Statements for the year ended 31 December 2008

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REPORT OF THE INDEPENDENT AUDITORS

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

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 2008 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Mekong River Commission as at 31 December 2008 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 Company Ltd.

KPMG Lao Co., Ltd.
Vientiane



12 February 2009

Mekong River Commission
Balance Sheet as at 31 December 2008

	Notes	2008 USD	2007 USD
Assets			
Cash on hand and at banks	4	15,593,909	15,680,400
Advances, accounts receivable and prepayments	5	1,141,918	893,782
Deposits		5,610	5,610
Total Assets		<u>16,741,437</u>	<u>16,579,792</u>
Liabilities			
Relocation project loan	6	320,000	420,000
Other liabilities	7	351,794	314,059
Total Liabilities		<u>671,794</u>	<u>734,059</u>
Net Assets		<u>16,069,643</u>	<u>15,845,733</u>
Represented by:			
Fund Balances			
Asian Development Bank	8	(79,248)	218,994
Government of Australia		3,848,022	241,985
Government of Belgium		1,548,114	1,665,824
Government of Denmark		4,486,059	6,286,870
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH		33,210	57,672
European Commission		223,048	145,931
Government of Finland		2,025,964	2,605,611
Government of France		281,131	185,454
International Bank for Reconstruction and Development		3,103	136,365
Government of Japan		586,394	804,443
Murray Darling Basin Commission		14,759	16,280
Government of Netherlands		440,807	1,576,962
Government of New Zealand		1,228	41,575
Government of Sweden		1,472,281	976,601
Government of the United States		-	16,304
Others		134,782	68,434
Operating Expense Budget Surplus		1,369,989	1,220,428
Relocation project fund	6	(320,000)	(420,000)
Total Fund Balance		<u>16,069,643</u>	<u>15,845,733</u>

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

Approved by:


 Jeremy Bird
 Chief Executive Officer
 MRC Secretariat


 Dirk Overweg
 Chief, Finance and Administration Section

Mekong River Commission
Income and Expenditure Statement for the year ended 31 December 2008

	Notes	2008 USD	2007 USD
Contributions			
Development Partners	9	15,664,854	20,022,336
Riparian governments	10	956,042	1,627,588
		<u>16,620,896</u>	<u>21,649,924</u>
Revenue			
Interest	12	36,014	34,589
Miscellaneous		5,352	15,770
		<u>41,366</u>	<u>50,359</u>
Total Income		<u>16,662,262</u>	<u>21,700,283</u>
Expenditure			
<i>Project expenditure</i>			
Personnel services		9,124,960	6,909,235
Sub-contracts		1,454,338	1,855,548
Training		1,771,523	1,060,372
Equipment		706,918	699,882
Miscellaneous expenses		660,555	550,357
Water Utilisation Programme ("WUP")		525,457	1,220,033
		<u>14,243,751</u>	<u>12,295,427</u>
<i>Administrative expenditure</i>			
Staff salary and fees		834,758	743,120
Common staff costs		546,945	403,453
Travel		23,226	17,014
Contractual services		96,772	93,679
General operating expenses		181,253	170,068
Supplies		26,732	23,172
Furniture and equipment		90,115	74,120
MRC meeting expenses		201,775	262,535
Support to National Mekong Committees		50,470	42,900
WUP management support		(2,521)	39,915
Repayment of relocation project loan		100,000	60,000
		<u>2,149,525</u>	<u>1,929,976</u>
Total Expenditure		<u>16,393,276</u>	<u>14,225,403</u>
Foreign exchange (loss)/gain		(45,075)	147,590
Movement in Fund Balances		223,910	7,622,470
Fund Balance as at 1 January		15,845,733	8,223,263
Fund Balance as at 31 December		<u>16,069,643</u>	<u>15,845,733</u>

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

Approved by:


 Jeremy Bird
 Chief Executive Officer
 MRC Secretariat


 Dirk Overweg
 Chief, Finance and Administration Section

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.

Approved by:



Jeremy Bird
Chief Executive Officer
MRC Secretariat



Dirk Overweg
Chief, Finance and Administration Section

3. Summary of significant accounting policies (continued)

(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

	2008 USD	2007 USD
Cash on hand	480	181
Cash at banks	15,593,429	15,680,219
	<u>15,593,909</u>	<u>15,680,400</u>

5. Advances, accounts receivable and prepayments

	2008 USD	2007 USD
Advances for general project expenditure	591,699	498,000
Other advances	550,219	393,677
Accounts receivable	-	2,105
	<u>1,141,918</u>	<u>893,782</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, advance issued to conduct trainings and workshops and advances to employees against salary. Accounts receivable are 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 forth repayment amounting to USD100,000 thereby bringing the total of repayments to USD280,000. The outstanding balance of the relocation loan is USD320,000.

Approved by:



Jeremy Bird
Chief Executive Officer
MRC Secretariat



Dirk Overweg
Chief, Finance and Administration Section

7. Other liabilities

	2008	2007
	USD	USD
Accrued repatriation fee	217,850	209,159
Advance received for new project fund	104,420	104,420
Others	29,524	480
	<u>351,794</u>	<u>314,059</u>

Accrued repatriation fee represent the MRC expatriate staff separation fees payable on leaving the MRC to return to their home country. The repatriation fee accrued to the administrative expenditure and project expenditure amounted to USD6,026 (2007: Nil) and USD77,919 (2007: USD78,473) respectively.

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 development partners.

9. Contributions from Development Partners

	2008	2007
	USD	USD
Cash received from development partners	15,573,318	20,020,810
Interest earned on development partners' funds	143,619	95,241
Contributions returned to development partners	<u>(52,083)</u>	<u>(93,715)</u>
	<u>15,664,854</u>	<u>20,022,336</u>

Main development partners in the year include the governments of Australia, Belgium, Denmark, Finland, Japan, Sweden, the Netherlands and France.

The cash received per development partner comprise the following:

	2008	2007
	USD	USD
Government of Australia	4,382,089	273,448
CSIRO Land and Water, Australia	106,758	-
Government of Denmark	1,976,891	6,537,338
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH	294,231	8,000
European Commission	228,804	358,966
Government of Finland	<u>2,697,108</u>	<u>3,020,719</u>
Balance c/f	<u>9,685,881</u>	<u>10,198,471</u>

Approved by:


Jeremy Bird
Chief Executive Officer
MRC Secretariat


Dirk Overweg
Chief, Finance and Administration Section

9. Contributions from Development Partners (continued)

	2008 USD	2007 USD
Balance b/f	9,685,881	10,198,471
Government of France	720,931	71,025
International Bank for Reconstruction and Development	111,937	1,062,235
Government of Japan	302,628	836,690
Murray Darling Basin Commission	-	20,000
Government of Netherlands	1,200,000	3,721,426
Government of New Zealand	77,995	51,896
Government of Sweden	2,051,304	2,216,490
Government of Belgium	1,249,000	1,370,000
UNDP Cambodia	-	70,233
Government of the United States	-	150,943
Others	73,642	191,401
	<u>15,473,318</u>	<u>19,960,810</u>
Reimbursement relocation loan	100,000	60,000
	<u>15,573,318</u>	<u>20,020,810</u>

Contributions returned to development partners comprise the following:

	2008 USD	2007 USD
The Royal Danish Embassy 4.2\04\01\BDP	-	68,017
United Nations Development Programme 7.1\20\97\UNP	-	497
Embassy of Japan 1.1\57\06\JPNO	-	6,280
Royal Embassy of the Netherlands 1.1\06\04\NETE	-	18,921
International Bank for Reconstruction and Development 7.1\23\01\WUP	49,954	-
USAID 3.1\53\04\USA\	2,129	-
	<u>52,083</u>	<u>93,715</u>

Approved by:



Jeremy Bird
Chief Executive Officer
MRC Secretariat



Dirk Overweg
Chief, Finance and Administration Section

10. Contributions from riparian governments

	2008 USD	2007 USD
Cambodia	297,350	280,160
Lao PDR	297,350	280,160
Thailand	-	734,574
Vietnam	361,342	332,694
	<u>956,042</u>	<u>1,627,588</u>

11. Management & Administration Fees and other government contributions

Revenue for management & administration fees and other government contributions comes from development partners. Management & administration fees 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. These balances have been eliminated on preparation of the financial statements for the MRC as a whole as set out below.

	2008 USD	2007 USD
Management & administration fees – Income	1,301,678	1,004,524
Management & administration fees – Expense	1,301,678	1,004,524

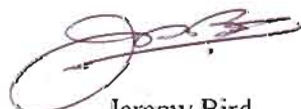
12. Interest

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

13. Provident fund

The Commission manages a provident fund, which had a balance at 31 December 2008 of USD1,713,461 (2007:USD 1,583,385), to provide a savings scheme in lieu of a pension fund on behalf of 140 (2007:135) 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:



Jeremy Bird
Chief Executive Officer
MRC Secretariat



Dirk Overweg
Chief, Finance and Administration Section