

**MEKONG RIVER COMMISSION**

**Financial Statements  
for the year ended 31 December 2007**

**Mekong River Commission**  
**Financial Statements for the year ended 31 December 2007**

---

**Contents**

	Page
1. Report of the independent auditors	1
2. Balance sheet	2
3. Income and expenditure statement	3
4. Notes to the financial statements	4

## 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 2007 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 2007 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.*  
**KPMG Lao Co., Ltd.**  
Vientiane  
29 February 2008

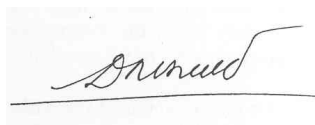
A blue octagonal stamp of KPMG Lao Co., Ltd. The stamp contains the company name in Lao script at the top, the English name 'KPMG LAO CO., LTD.' in the center, and the Lao word 'ທຸລະກິດ' (Business) at the bottom. There are also some smaller Lao characters and a signature-like mark inside the stamp.

**Mekong River Commission**  
**Balance Sheet as at 31 December 2007**

	Notes	2007 USD	2006 USD
<b>Assets</b>			
Cash on hand and at banks	4	15,680,400	8,566,868
Advances, accounts receivable and prepayments	5	893,782	435,563
Deposits		5,610	5,610
<b>Total Assets</b>		<u>16,579,792</u>	<u>9,008,041</u>
<b>Liabilities</b>			
Relocation project loan	6	420,000	480,000
Other liabilities	7	314,059	304,778
<b>Total Liabilities</b>		<u>734,059</u>	<u>784,778</u>
<b>Net Assets</b>		<u><u>15,845,733</u></u>	<u><u>8,223,263</u></u>
Represented by:			
<b>Fund Balances</b>			
Government of Australia		241,985	223,793
Asian Development Bank		218,994	398,586
Government of Denmark		6,286,870	2,761,651
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH		57,672	321,331
European Commission	8	145,931	(6,279)
Government of Finland		2,605,611	763,641
Government of France		185,454	309,158
International Bank for Reconstruction and Development		136,365	21,332
Government of Japan		804,443	353,973
Murray Darling Basin Commission		16,280	8,598
Government of Netherlands		1,576,962	360,045
Government of New Zealand		41,575	64,256
Government of Sweden		976,601	459,061
Government of Belgium		1,665,824	2,022,812
UNDP Cambodia		-	10,496
Government of the United States		16,304	107,021
Others		68,434	55,855
Operating Expense Budget Surplus		1,220,428	467,933
Relocation project fund	6	(420,000)	(480,000)
<b>Total Fund Balance</b>		<u><u>15,845,733</u></u>	<u><u>8,223,263</u></u>

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

Approved by:



Mr. Do Manh Hung  
*Officer-in-charge*



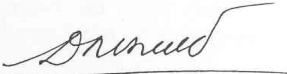
Dr. Dirk Overweg  
*Chief Finance and Administration*

**Mekong River Commission**  
**Income and Expenditure Statement for the year ended 31 December 2007**

	Notes	2007 USD	2006 USD
<b>Contributions</b>			
Development Partners	9	20,022,336	10,925,732
Riparian governments	10	1,627,588	1,157,253
Others		-	106,935
		<u>21,649,924</u>	<u>12,189,920</u>
<b>Revenue</b>			
Interest	11		
Miscellaneous	12	34,589	7,207
		<u>15,770</u>	<u>10,323</u>
		<u>50,359</u>	<u>17,530</u>
<b>Total Income</b>		<u>21,700,283</u>	<u>12,207,450</u>
<b>Expenditure</b>			
<i>Project expenditure</i>			
	11		
Personnel services		6,909,235	5,370,859
Sub-contracts		1,855,548	956,229
Training		1,060,372	1,064,668
Equipment		699,882	550,812
Miscellaneous expenses		550,357	774,183
Water Utilisation Programme ("WUP")		1,220,033	2,179,932
		<u>12,295,427</u>	<u>10,896,683</u>
<i>Administrative expenditure</i>			
Staff salary and fees		743,120	745,111
Common staff costs		403,453	412,726
Travel		17,014	19,668
Contractual services		93,679	97,942
General operating expenses		170,068	276,558
Supplies		23,172	27,879
Furniture and equipment		74,120	66,022
MRC meeting expenses		262,535	168,548
Support to National Mekong Committees		42,900	44,901
WUP management support		39,915	147,978
Repayment of relocation project loan		60,000	60,000
		<u>1,929,976</u>	<u>2,067,333</u>
<b>Total Expenditure</b>		<u>14,225,403</u>	<u>12,964,016</u>
Foreign exchange gain		147,590	4,529
<b>Movement in Fund Balances</b>		7,622,470	(752,037)
<b>Fund Balance as at 1 January</b>		8,223,263	8,975,300
<b>Fund Balance as at 31 December</b>		<u>15,845,733</u>	<u>8,223,263</u>

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

Approved by:



Mr. Do Manh Hung  
Officer-in-charge



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 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*

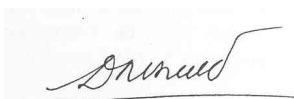
For control and management purposes, a memorandum account for property and equipment is maintained by way of a property and equipment listing. All property and equipment is expended in full at the date of acquisition.

*(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:*



Mr. Do Manh Hung  
*Officer-in-charge*



Dr. Dirk Overweg  
*Chief Finance and Administration* 4

*(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**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Cash on hand	181	245
Cash at banks	<u>15,680,219</u>	<u>8,566,623</u>
	<u>15,680,400</u>	<u>8,566,868</u>

**5. Advances, accounts receivable and prepayments**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Advances for general project expenditure	498,000	198,516
Other advances	393,677	236,642
Accounts receivable	<u>2,105</u>	<u>405</u>
	<u>893,782</u>	<u>435,563</u>

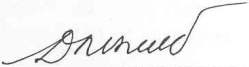
Advances for general project expenditure represent imprest funds given to some satellite projects for petty cash expenses and other disbursements within their limits of authority. The related project expenditure is charged to the income and expenditure statement upon submission of clearance forms. Other 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 third repayment amounting to USD60,000 therefore total repayment amounting to USD180,000.

Approved by:



Mr. Do Manh Hung  
*Officer-in-charge*



Dr. Dirk Overweg  
*Chief Finance and Administration* 5

**7. Other liabilities**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Accrued repatriation fee	209,159	198,026
Advance received for new project fund	104,420	104,420
Others	480	2,332
	<u>314,059</u>	<u>304,778</u>

Accrued repatriation fee represent the MRC expatriate staff separation fees payable on leaving the MRC to return to their home country. In 2007 the repatriation fee charged to the administrative expenditure amounted to USD Nil (2006: USD4,618) and charged to the project expenditure amounted to USD78,473.

**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**

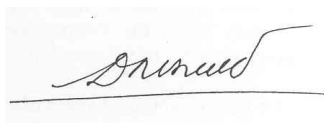
	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Cash received from development partners	20,020,810	11,033,289
Interest earned on development partners' funds	95,241	53,152
Contributions returned to development partners	(93,715)	(112,895)
Contributions transferred to OEB budget	-	(107,010)
Other income	-	59,195
	<u>20,022,336</u>	<u>10,925,732</u>

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

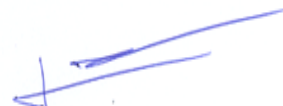
The contributions per development partner comprise the following:

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Government of Australia	273,448	205,593
Government of Denmark	6,537,338	2,246,528
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH	8,000	219,005
European Commission	358,966	61,876
Government of Finland	3,020,719	497,303
Government of France	71,025	390,352

Approved by:



Mr. Do Manh Hung  
*Officer-in-charge*



Dr. Dirk Overweg  
*Chief Finance and Administration* 6



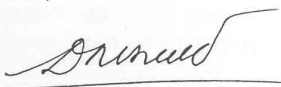
**Mekong River Commission**  
**Notes to the financial statements for the year ended 31 December 2007 (continued)**

International Bank for Reconstruction and Development	1,062,235	1,335,847
Government of Japan	836,690	332,292
Murray Darling Basin Commission	20,000	-
Government of Netherlands	3,721,426	1,863,410
Government of New Zealand	51,896	70,109
Government of Sweden	2,216,490	1,582,620
Government of Switzerland	-	44,709
Government of Belgium	1,370,000	1,337,780
UNDP Cambodia	70,233	10,721
Government of the United States	150,943	385,148
Others	191,401	282,437
	<b>19,960,810</b>	<b>10,865,732</b>
Reimbursement relocation loan	60,000	60,000
	<b>20,020,810</b>	<b>10,925,732</b>


Contributions returned to development partners comprise the following:

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
The Royal Danish Embassy		
8.1\30\01\DEN	-	112,895
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	-
	<u>93,715</u>	<u>112,895</u>

Approved by:



Mr. Do Manh Hung  
*Officer-in-charge*



Dr. Dirk Overweg  
*Chief Finance and Administration* 7

**10. Contributions from riparian governments**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Cambodia	280,160	264,534
Lao PDR	280,160	264,534
Thailand	734,574	321,536
Vietnam	332,694	306,649
	<u>1,627,588</u>	<u>1,157,253</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. 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.

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Management & administration fees – Income	1,004,524	873,552
Professional revenue	-	41,402
	<u>1,004,524</u>	<u>914,954</u>
Management & administration fees – Expense	<u>1,004,524</u>	<u>914,954</u>

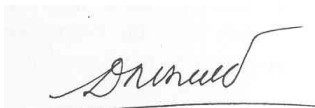
**12. Interest**

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 2007 of USD1,583,385 (2006:USD 1,511,697), to provide a savings scheme in lieu of a pension fund on behalf of 135 (2006:130) 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:



Mr. Do Manh Hung  
Officer-in-charge



Dr. Dirk Overweg  
Chief Finance and Administration 8