



MEKONG RIVER COMMISSION
Financial Statements
for the year ended 31 December 2010

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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 9, comprising the balance sheet as at 31 December 2010 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 are prepared, in all material respects, 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

15 February 2011



**Mekong River Commission
Balance Sheet
As at 31 December 2010**

	Note	2010 USD	2009 USD
Assets			
Cash on hand and at banks	4	16,611,639	16,945,663
Advances, accounts receivable and prepayments	5	767,166	883,321
Deposits		<u>5,610</u>	<u>5,610</u>
Total Assets		<u>17,384,415</u>	<u>17,834,594</u>
Liabilities			
Relocation project loan	6	200,000	260,000
Other liabilities	7	<u>99,110</u>	<u>62,875</u>
Total Liabilities		<u>299,110</u>	<u>322,875</u>
Net Assets		<u>17,085,305</u>	<u>17,511,719</u>
Represented by:			
Fund Balances			
Asian Development Bank	8	21,006	(17,762)
Government of Australia		5,148,972	3,961,399
Government of Belgium		992,172	727,149
Government of Denmark		2,593,556	4,414,005
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH		237,433	237,662
Government of Germany	8	(36,692)	(609)
European Commission	8	(8,100)	(120,885)
Government of Finland		1,094,248	2,847,664
Government of France		788,876	301,365
Government of Japan		278,159	391,022
Government of Netherlands		349,030	637,410
Government of New Zealand		232,455	34,775
Government of Sweden		2,323,572	2,010,531
Government of the United States		-	42,774
Others		197,334	48,545
Operating Expense Budget Surplus		3,073,284	2,256,674
Relocation project fund	6	<u>(200,000)</u>	<u>(260,000)</u>
Total Fund Balance		<u>17,085,305</u>	<u>17,511,719</u>

The notes set out on pages 4 to 9 form an integral part of these statements

Approved by:



Jeremy Bird
Chief Executive Officer
MRC Secretariat



Nguyen Thu Mai
Chief, Finance and Administration Section
MRC Secretariat

**Mekong River Commission
Income and Expenditure Statement
For the year ended 31 December 2010**

	Note	2010 USD	2009 USD
Contributions			
Development Partners	9	19,824,990	21,538,387
Riparian governments	10	2,061,896	1,444,608
		<u>21,886,886</u>	<u>22,982,995</u>
Revenue			
Interest	12	64,176	25,051
Miscellaneous		5,833	2,717
		<u>70,009</u>	<u>27,768</u>
Total Income		<u>21,956,895</u>	<u>23,010,763</u>
Expenditure			
<i>Project expenditure</i>			
Personnel services		9,823,424	10,976,156
Sub-contracts		4,283,131	3,613,310
Training		3,308,796	2,803,674
Equipment		1,094,150	1,357,991
Miscellaneous expenses		578,125	540,749
		<u>19,087,626</u>	<u>19,291,880</u>
<i>Administrative expenditure</i>			
Staff salary and fees		1,079,591	964,604
Common staff costs		654,259	551,747
Travel		25,888	25,557
Contractual services		109,276	99,405
General operating expenses		272,795	199,482
Supplies		39,966	31,794
Furniture and equipment		97,653	79,297
MRC meeting expenses		279,224	293,503
Support to National Mekong Committees		57,751	61,733
Repayment of relocation project loan		60,000	60,000
		<u>2,676,403</u>	<u>2,367,122</u>
Administrative Reserve Fund	14	498,412	-
Programme Reserve Fund	15	94,228	-
		<u>22,356,669</u>	<u>21,659,002</u>
Total Expenditure		<u>22,356,669</u>	<u>21,659,002</u>
Foreign exchange gain/(loss)		(26,640)	90,315
Movement in Fund Balances		(426,414)	1,442,076
Fund Balance as at 1 January		17,511,719	16,069,643
Fund Balance as at 31 December		<u>17,085,305</u>	<u>17,511,719</u>

The notes set out on pages 4 to 9 form an integral part of these statements

Approved by:



Jeremy Bird
Chief Executive Officer
MRC Secretariat



Nguyen Thu Mai
Chief, Finance and Administration Section
MRC Secretariat

Mekong River Commission
Notes to the financial statements
For the year ended 31 December 2010

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.

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

	2010 USD	2009 USD
Cash on hand	1,137	183
Cash at banks	16,610,502	16,945,480
	<u>16,611,639</u>	<u>16,945,663</u>

5. Advances, accounts receivable and prepayments

	2010 USD	2009 USD
Advances for general project expenditure	396,852	541,481
Other advances	348,518	311,705
Accounts receivable	21,796	30,135
	<u>767,166</u>	<u>883,321</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 USD 600,000 from the Government of the Lao PDR in 2003 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 sixth repayment amounting to USD 60,000 which brings the outstanding balance to USD 200,000 as at 31 December 2010 (2009: USD 260,000).

Mekong River Commission
Notes to the financial statements
For the year ended 31 December 2010 (continued)

7. Other liabilities

	2010	2009
	USD	USD
Accounts Payable	271	271
Accrued repatriation fee	95,405	58,923
Others	3,434	3,681
	<u>99,110</u>	<u>62,875</u>

Accrued repatriation fee represent the MRC expatriate staff separation fees payable on leaving the MRC to return to their home country.

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

	2010	2009
	USD	USD
Cash received from development partners	19,793,354	21,634,494
Interest earned/(returned) on development partners' funds	31,636	(93,004)
Contributions returned to development partners	-	(3,103)
	<u>19,824,990</u>	<u>21,538,387</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:

	2010	2009
	USD	USD
Asian Development Bank	183,000	610,000
Government of Australia	3,560,150	2,945,111
CSIRO Land and Water, Australia	-	105,501
Government of Denmark	3,208,060	3,779,905
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH	285,662	590,231
Balance carried forward	7,236,872	8,030,748

Mekong River Commission
Notes to the financial statements
For the year ended 31 December 2010 (continued)

9. Contributions from Development Partners (continued)

	2010	2009
	USD	USD
Balance brought forward	7,236,872	8,030,748
European Commission	107,739	82,275
Government of Finland	2,675,906	4,424,900
Government of France	1,200,677	1,137,330
Government of Japan	305,851	287,496
Government of Netherlands	1,730,386	2,679,688
Government of New Zealand	350,000	71,595
Government of Sweden	2,264,480	3,277,386
Government of Belgium	3,832,240	1,392,100
Government of the United States	20,000	179,247
Others	9,203	11,729
	19,733,354	21,574,494
Reimbursement of relocation loan	60,000	60,000
	19,793,354	21,634,494

Contributions returned to development partners comprise the following:

	2010	2009
	USD	USD
International Bank for Reconstruction and Development 7.1/23/01/WUP	-	3,103
	3,103	3,103

10. Contributions from riparian governments

	2010	2009
	USD	USD
Cambodia	337,057	316,258
Lao PDR	337,057	316,258
Thailand	960,262	419,236
Vietnam	427,520	392,856
	2,061,896	1,444,608

MRC received and recorded the annual contribution from Thailand for the year 2011 amounting to USD 501,739 in year 2010.

Mekong River Commission
Notes to the financial statements
For the year ended 31 December 2010 (continued)

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.

	2010	2009
	USD	USD
Management & administration fees – Income	1,953,750	1,781,431
Management & administration fees – Expense	<u>1,953,750</u>	<u>1,781,431</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 2010 of USD 1,635,084 (2009: USD 1,501,067), to provide a savings scheme in lieu of a pension fund on behalf of 153 (2009: 159) members of staff who are 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.

14. Administrative Reserve Fund

	2010	2009
	USD	USD
Administrative Reserve Fund		
2.1\61\10\ARF\O Co-hosted location of MRCS (OSP & OSV)	345,270	-
2.1\71\10\ARF\O MRC First Summit-April 2010 Hua Hin, Thailand	153,142	-
Total Administrative Reserve Fund	<u>498,412</u>	<u>-</u>

Administrative Reserve Fund represents the expenditure incurred for MRC First Summit-April 2010 held in Hua Hin, Thailand and expenditure incurred for relocating some of the operations from Office of Secretariat in Vientiane ("OSV") to Office of Secretariat in Phnom Penh ("OSP") following the MRC Council's decision on the co-hosted location of the MRCS.

Mekong River Commission
Notes to the financial statements
For the year ended 31 December 2010 (continued)

15. Programme Reserve Fund

	2010	2009
	USD	USD
Programme Reserve Fund		
2.1\43\09\PRF\D Drought Management		
Project-Initial Activities	75,319	-
2.1\45\09\PRF\F Vital Services	18,909	-
Total Programme Reserve Fund	<u>94,228</u>	<u>-</u>

Programme Reserve Fund represents the expenditure incurred for drought management activities and vital services of the MRCS in Phnom Penh and Vientiane for flood casting during floods and other emergency situations.