

Report of the auditors**To the Board of Governors of International Water Management Institute**

We have audited the accompanying statement of the financial position of International Water Management Institute as at 31st December 2005 and the related statement of activities, changes in net assets and cash flows for the year then ended, together with the accounting policies and notes as set out on pages 3 to 24.

Respective Responsibilities of the institute's management and auditors

The institute's management is responsible for preparing and presenting these financial statements in accordance with the recommendations made in the Consultative Group for International Agricultural Research (CGIAR) financial Guidelines series No.2 CGIAR Accounting policies and Reporting practices manual (revised March 2004). Our responsibility is to express an opinion on these financial statements, based on our audit.

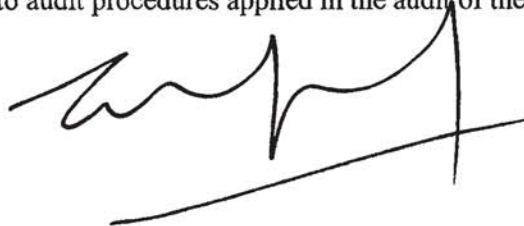
Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the institute's management, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the recommendations made in the CGIAR Guidelines. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the institute maintained proper books of account for the year ended 31st December 2005, and to the best of our information and according to the explanations given to us, the said financial position and related statements of activities, changes in net assets, cash flows and the accounting policies and notes thereto, which are in agreement with said books and have been prepared and presented in accordance with the recommendations made in the CGIAR financial Guidelines Series No 2- CGIAR Accounting policies and Reporting Practices manual (revised March 2004) and give a true and fair view of the Institute's state of affairs as at 31st December 2005 and of its activities and cash flows for the year then ended. Supplementary information on pages 25 to 35 are not a required part of the financial statements and have not been subjected to audit procedures applied in the audit of the financial statements.

Colombo
10th May 2006



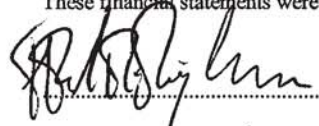
INTERNATIONAL WATER MANAGEMENT INSTITUTE

Statement of Financial Position

December 31, 2005 and 2004

	Notes	2005 US\$'000	2004 US\$'000
ASSETS			
Current Assets			
Cash and cash Equivalents	1	13,441	15,013
Accounts Receivable: (Net of \$100,000 allowance for doubtful accounts)			
Donor	2	3,121	2,437
Employees	3	402	93
Other CGIAR Centers	4	1,251	141
Others	5	1,280	718
Inventories	6	43	39
Prepaid Expenses	7	183	288
Total Current Assets		19,721	18,729
Non-Current Assets			
Property, Plant and Equipment, net	8	2,098	2,050
TOTAL ASSETS		21,819	20,779
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable			
Donor	9	11,912	12,116
Employees	10	98	21
Other CGIAR Centers	11	351	26
Others	12	1,099	590
Accruals		34	113
Total Current Liabilities		13,494	12,866
NON CURRENT LIABILITIES			
Accounts Payable			
Employees	13	1,656	1,659
Total Non Current Liabilities		1,656	1,659
Total Liabilities		15,150	14,525
Net Assets			
Unrestricted			
Designated		3,180	3,199
Undesignated		3,489	3,055
Total Net Assets		6,669	6,254
TOTAL LIABILITIES AND NET ASSETS		21,819	20,779

These financial statements were approved on 10 May 2006.

 Director General

 Head Finance



The accounting policies on pages 7 to 11 and notes on pages 12 to 24 form an integral part of the financial statements