

2006-07

Petroleum Fund Annual Report



Macro Economic and Tax Policy Unit

Ministry of Finance

Democratic Republic of Timor- Leste

December 2007



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE
MINISTÉRIO DAS FINANÇAS
GABINETE DA MINISTRA

Petroleum Fund 2006-07 Annual Report

The Petroleum Fund of Timor-Leste was established under the provisions of the Petroleum Fund Law no 9/2005 which was promulgated on 3 August 2005. The first investments of the Petroleum Fund started on 9 September 2005. The Banking and Payments Authority of Timor-Leste (BPA) is responsible for the operational management of the Fund, in accordance with a Management Agreement between the Ministry of Finance and the BPA dated 12 October 2005 and partially modified by agreement dated 10 January 2007 and 27 July 2007.

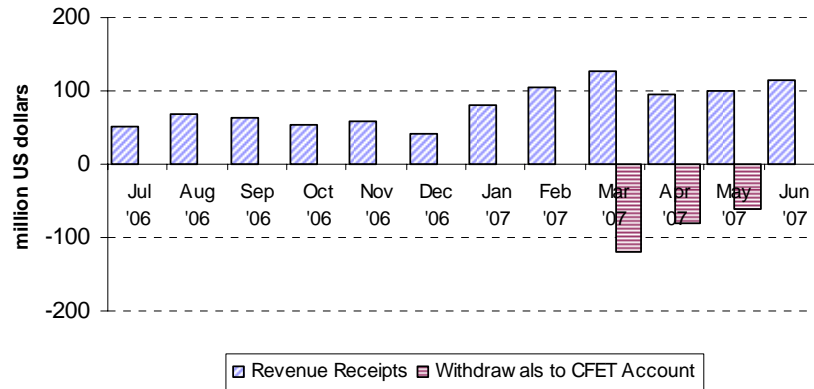
Taxes and other petroleum revenue totaling 956.1 million US dollars were paid to the Petroleum Fund during the year ended 30 June 2007. 498.5 million US dollars of the total amount were according to Article 6.1 (a) and 457.7 million US dollars according to Article 6.1. (b) in the Petroleum Fund Law. The total petroleum revenue paid since the inception of the Fund is 1,598.9 million US dollars, including transfers of 79.6 million US dollars from the Timor Gap Account and 125 million US dollars from the Consolidated Fund of Timor-Leste (CFET).

In accordance with the Management Agreement the Fund is invested in debt instruments issued by the Government of the United States. The investments shall track the 0-5 year government bond index (Merrill Lynch). The mandate of BPA is to keep the duration of the portfolio within a range of +/- 0.2 year of this benchmark portfolio.

The return on investments during the year was 48.8 million US dollars. In accordance with the Operational Management Agreement, a management fee to BPA of 524,000 US dollars has been withdrawn from the Petroleum Fund. Thus, the profit for the year is 48.3 million US dollars, totaling 55.3 million US dollars since the inception of the Petroleum Fund.

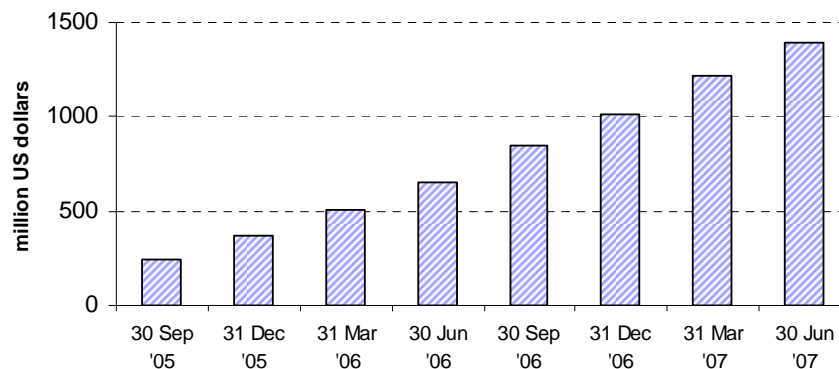
The Government has withdrawn a total amount of 260.1 million US dollars to the CFET during the year, which is 22.9 million US dollars less than the Estimated Sustainable Income. Figure 1 shows the payments to and transfers from the Petroleum Fund during the Fiscal year 2006-07.

Figure 1
Payments to and transfers from the Petroleum Fund
Fiscal Year 2006-07



The market value of the Petroleum Fund as of 30 June 2007 was 1,394.2 million US dollars. This is an increase of 744.4 million US dollars during the year. Figure 2 shows the market value of the Petroleum Fund quarter by quarter since inception of the Fund in September 2005.

Figure 2
Market value of the Petroleum Fund



The BPA has managed its investment mandate in accordance with the Management Agreement. The yield on the portfolio in the period is 5.12 per cent and it has generally been in line with the yield on the benchmark portfolio (there is a difference in favor of the benchmark of 0.04 percentage points).

The average yield to maturity of the investments made through the period 1 July 2006 through 30 June 2007 has been estimated at 4.9 per cent. During the period from July 2006 to June 2007 inflation in the USA was 2.7 per cent, the real return on the investments, based on the yield to maturity, is accordingly 2.2 per cent.

The Investment Advisory Board of the Petroleum Fund had four meetings during the year. The minutes from the meetings are available on www.bancocentral.tl. The Investment Advisory Board has discussed the investment strategy and the management of the Petroleum Fund at its meetings and one recommendation has been given to the Minister of Finance during the year. At its meeting 19 January 2007, the Investment Advisory Board recommended the Minister of Finance to enter into contract negotiations with non-commercial investment managers in order to outsource management of part of the portfolio. In a letter

dated 29 November 2007 the Government authorized the BPA to enter into negotiations with the aim to outsource a substantial part of the portfolio to external managers.

Deloitte Touche Tohmatsu has been appointed Independent Auditor of the Petroleum Fund for the period. Deloitte Touche Tohmatsu has produced two separate reports in accordance with the Article 35 of the Petroleum Fund Law and Guidelines for Extractive Industries Transparency Initiative (EITI). These reports are available in this report as Annex IX and X.

The Petroleum Fund Annual Report is also available at www.mof.gov.tl and www.bancocentral.tl.

Signed on 14 December 2007

Emilia Pires
Minister of Finance

Annexes:

- I Statement by the Director of Treasury
- II Audited Financial Statements
- III Comparison of income derived from the investment of Petroleum Fund assets with previous three Fiscal Years
- IV Comparison of nominal income on the investment of Petroleum Fund assets to real returns
- V Comparison of income derived from the investment of Petroleum Fund assets with the benchmark performance index
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- IX Article 35 report on Petroleum Fund Receipts from Deloitte Touche Tohmatsu
- X EITI report from Deloitte Touche Tohmatsu

PETROLEUM FUND OF TIMOR-LESTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2007

Director's Report

BACKGROUND

The Petroleum Fund Law No. 9/2005 was promulgated on 3 August 2005 and it established the Petroleum Fund of Timor-Leste. Banking & Payments Authority (BPA), which functions as the Central Bank of Timor-Leste, is responsible for the operational management of the Fund, in accordance with a Management Agreement dated 12 October 2005 between the Ministry of Finance and the BPA. BPA is also responsible for maintaining the books of account for the Fund on behalf of the Director of Treasury.

As per Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The statements are:

*Income statement,
Statement of changes in capital,
Balance Sheet,
Cash flow statement, and
Notes to accounts*

The accounts and the financial statements have been externally audited by Deloitte, Touche & Tohmatsu whose audit opinion is attached with this report.

PETROLEUM FUND CAPITAL

The Petroleum Fund had capital of US\$ 649.8 million on 1 July 2006. During the course of the year, the taxes and other petroleum revenue under Article 6.1 (a) of the Petroleum Fund were US\$ 498.5 million. In addition, royalty revenues of US\$ 457.6 were received under Article 6.1 (b) in the Petroleum Fund making the gross receipts as US\$ 956.1 million during the year. The Fund earned a profit of US\$ 48.3 million during the year (refer to the "Income Statement").

An amount of US\$ 260.1 million was transferred from the Petroleum Fund to the State General Account during the year. The capital of Petroleum Fund as on 30 June 2007 was US\$ 1,394.22 million. A summary of the transactions is given in the "Statement of changes in capital".

INVESTMENTS AND PERFORMANCE

Mandate

The Management Agreement provides that the assets of the Fund shall be invested in *Debt instruments issued by the United States and other qualifying sovereign governments* and the *Merrill Lynch 0-5 year government bond index* shall be used as benchmark to measure the performance of the Fund. The mandate is to passively manage the Fund close to the benchmark, so that in normal circumstances the objective shall be to achieve a return within 25 basis points¹

¹ 100 basis points is the same as 1 percentage point.

of the benchmark. Further, the difference in the modified duration between the portfolio and the benchmark shall be less than 0.2 year.

Performance

In accordance with the Article 24.1(a) of the Petroleum Fund and the provisions of the Management Agreement, the Petroleum Fund assets were invested in US Treasury Notes during the year. The list of instruments held as on 30 June 2007 are given at note 10. The credit exposure by credit rating is given in the note 14(c) and the credit rating is higher than the minimum credit rating mandated in the Petroleum Fund. The interest rate duration (modified duration) of the portfolio as well as the benchmark was 1.80 years at 30 June 2007 (note 12 on risk management refers). The performance of the Petroleum Fund during the year has been in accordance with the mandate of the Management Agreement.

During course of the fiscal year, Ministry of Finance together with the Banking & Payments Authority have been able to accomplish the stewardship and fiduciary role for the Petroleum Fund.


(Manuel Monteiro)
Director of Treasury
Ministry of Finance



² “modified duration” is a measure of the percentage decline (increase) in the market value of the Petroleum Fund due to a 100 basis point increase (decline) in the level of interest rates.

Auditor's Report to the Ministry of Finance, Democratic Republic of Timor-Leste in respect of the Annual Financial Report of the Petroleum Fund of Timor-Leste for the year ended 30 June 2007

We have audited the accompanying financial statements of the Petroleum Fund of Timor-Leste which comprise the balance sheet as at 30 June 2007, and the income statement, statement of changes in capital and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Government's Responsibility for the Financial Statements

The Government as represented by the Minister for Finance is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Petroleum Fund of Timor-Leste as of 30 June 2007 and of its financial performance and its cashflows for the year ended in accordance with the International Financial Reporting Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



J Burton

Partner

Chartered Accountants

Darwin, 28/9 / 2007

Income Statement

For the year ended 30 June 2007

	<i>Note</i>	2007 USD	2006 USD
Investment income			
Interest on investments	3	37,470,873	13,149,815
Gains and losses on investments			
Gains/(losses) on fair value through profit or loss assets	5	11,346,106	(5,831,519)
Total investment income		48,816,979	7,318,296
<i>Less:</i>			
Management Fee	9b	(524,000)	(270,000)
Profit for the year		48,292,979	7,048,296

Statement of changes in capital

For the year ended 30 June 2007

	<i>Note</i>	2007 USD	2006 USD
Capital at 1 July 2006		649,848,228	-
Transfers to the Petroleum Fund pursuant to Article 6 of the Petroleum Fund Law			
<i>Transfers from the Consolidated Fund</i>	6	-	204,603,705
<i>Petroleum Fund gross receipts</i>	6	956,149,202	438,196,227
		1,605,997,430	642,799,932
Transfers to the Consolidated Fund <i>(pursuant to Article 7 of the Petroleum Fund Law)</i>	6	(260,067,680)	-
Refunds of taxation <i>(pursuant to Article 10 of the Petroleum Fund Law)</i>		-	-
Profit for the year		48,292,979	7,048,296
Capital at 30 June 2007		1,394,222,729	649,848,228

The above statement is to be read in conjunction with the policies and notes on pages 5 to 22

Balance Sheet**As at 30 June 2007**

	<i>Note</i>	2007 USD	2006 USD
Assets			
Cash and cash equivalents	8	411,262	499,284
Interest receivable	4	7,030,612	3,215,759
Investments at fair value through profit or loss	5,11	1,386,780,855	646,133,185
TOTAL ASSETS		1,394,222,729	649,848,228
Net Assets		1,394,222,729	649,848,228
Capital			
Capital		1,394,222,729	649,848,228
TOTAL CAPITAL		1,394,222,729	649,848,228

The above statement is to be read in conjunction with the policies and notes on pages 5 to 22

Cash Flow Statement

For the year ended 30 June 2007

	<i>Note</i>	2007 USD	2006 USD
<i>Cash flows from funding activities</i>			
Transfers from Consolidated Fund		-	204,603,705
Petroleum Fund Receipts		956,149,202	438,196,227
Transfers to the Consolidated Fund		(260,067,680)	-
Cash flow from funding activities	6	696,081,522	642,799,932
<i>Cash flow from investing activities</i>			
Proceeds from sale of investments	5	520,156,379	259,255,492
Purchase of investments	5	(1,249,457,943)	(911,220,196)
Cash flow from investing activities		(729,301,564)	(651,964,704)
<i>Cash flow from operating activities</i>			
Interest received		33,656,020	9,934,056
Operating expenses paid		(524,000)	(270,000)
Cash flow from operating activities	18	33,132,020	9,664,056
Net increase/(decrease) in cash and cash equivalents		(88,022)	499,284
Cash and cash equivalents at 30 June 2006	8	499,284	-
<i>Cash and cash equivalents at 30 June 2007</i>		411,262	499,284

The above statement is to be read in conjunction with the policies and notes on pages 5 to 22

Notes to the Financial Statements

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1. General Information

The Petroleum Fund of Timor-Leste (the ‘Petroleum Fund’) was established under the provisions of the Petroleum Fund Law No. 9/2005 of the Democratic Republic of Timor-Leste enacted on 3 August 2005.

Pursuant to Article 139 of the Constitution of the Republic, petroleum resources are owned by the State and are to be used in a fair and equitable manner in accordance with national interests, with the income derived there from leading to the establishment of mandatory financial reserves. The Petroleum Fund is a means of contributing to the wise management of petroleum resources for the benefit of both current and future generations, and a tool that contributes to sound fiscal policy where appropriate consideration and weight is given to the long-term interests of Timor-Leste’s citizens. The Petroleum Fund is integrated into the State budget.

The Banking and Payments Authority of Timor-Leste (BPA), having its office at Avenida Bispo Medeiros, Dili, Timor-Leste, is responsible for operational management of the Petroleum Fund, and is the registered owner of all the assets of the Petroleum Fund. The management of the Petroleum Fund is undertaken according to a Management Agreement between the Ministry of Planning and Finance and the BPA signed on 12 October 2005, and subsequent amendment of annex 2.

The financial results and balances reported in these financial statements are not rounded.

These financial statements were authorized for issue by the Director of Treasury on 27 September 2007.

2. Significant Accounting Policies

Basis of accounting

In accordance with Article 21 of the Petroleum Fund Law, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remain in effect at the Petroleum Fund's balance date.

The financial statements are presented in United States dollars. They are prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with international accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values and assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision, and future periods if the revision affects both current and future periods.

Judgments made by management in the application of international accounting standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 12.

The accounting policies have been consistently applied by the Petroleum Fund. The Petroleum Fund has adopted the IFRSs that were effective at balance date. The Petroleum Fund has also adopted *IFRS 7: Financial Instruments Disclosures* although the effective date for the standard is 1 January 2007.

The Petroleum Fund invests in financial markets in the United States of America. The Petroleum Fund is organized and operates as one segment (both in terms of business and geography). Consequently, no segment reporting is provided in the Petroleum Fund's financial statements.

The balance sheet presents assets and liabilities in increasing order of liquidity and does not distinguish between current and non current items.

The principal accounting policies are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the Petroleum Fund's financial statements are measured using the currency of the primary economic environment in which it operates. This is the United States Dollar, which reflects the Petroleum Fund's primary activity of investing in US securities. This is also the currency of presentation as it is the official currency of the Democratic Republic of Timor-Leste.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(b) Financial instruments

(i) Classification

Investments

The manner in which the Petroleum Fund is managed and its performance measured is set out in Annex 1 to the Operational Management Agreement signed by the Minister of Planning and Finance and the General Manager of the Banking & Payments Authority on 12 October 2005. The Merrill Lynch 0-5 year government bond index is established therein as the performance benchmark, with the requirement that the Petroleum Fund be managed passively with the objective of achieving a return within 25 basis points while maintaining the modified duration of the investment portfolio within 0.2 years of the benchmark.

The investment portfolio of the Petroleum Fund, being managed and having its performance measured and reported in accordance with these documented risk management and investment strategies, has accordingly been designated at fair value through profit or loss for accounting purposes.

Interest and other receivables

Financial assets that are classified as loans and receivables include cash balances due from financial intermediaries from the sale of securities, receivables from reverse repurchase agreements with a maturity of more than one business day, and accounts receivable.

Financial liabilities that are not at fair value through profit and loss include balances payable to financial intermediaries for the purchase of securities, and accounts payable.

*(ii) Recognition and de-recognition**Investments*

The Petroleum Fund recognizes financial assets and financial liabilities on its balance sheet from the date the Petroleum Fund becomes a party to the contractual provisions of the instrument. The Petroleum Fund offsets financial assets and financial liabilities if the Petroleum Fund has a legally enforceable right to set off the recognized amounts and interests and intends to settle on a net basis.

Investments are derecognized when the rights to receive cash flows from the investments have expired or the Petroleum Fund has transferred substantially all risks and rewards of the ownership.

Financial liabilities are derecognized when the obligation specified in the contract is discharged or cancelled or expired.

Interest and other receivables

Other receivables and payables are recognized on an accruals basis.

*(iii) Measurement**Investments*

Financial instruments are measured initially at fair value.

Investments are designated at fair value through profit or loss on initial recognition. As the Petroleum Fund's business is investing in financial assets according to a defined mandate with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed securities and fixed income securities are designated as fair value through profit and loss on initial recognition.

The Petroleum Fund manages and evaluates the performance of these investments on a fair value basis in accordance with its investment mandate, with information about the performance of the investments and their related benchmarks being regularly published.

Financial assets designated as at fair value through profit and loss are measured at subsequent reporting dates at fair value, based on the bid price.

Changes in the fair value of such investments (including impairment losses and foreign exchange gains and losses) are recognized in the income statement until the financial asset is derecognized.

Interest and other receivables

Other receivables do not carry interest and are short-term in nature and accordingly are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(iv) Impairment

Financial assets that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognized in the income statement as the difference between the asset's carrying amount and the present value estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognized on a financial asset carried at amortized cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

(v) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets held or a liability to be issued are priced at current bid prices, while financial liabilities held and assets to be acquired are priced at current asking prices.

*(vi) Specific instruments**Cash and cash equivalents*

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Repurchase and reverse repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortized cost.

Securities purchased under agreements to resell (reverse repurchase agreements) with a maturity period of greater than one financial day are reported not as purchases of securities, but as receivables and are carried in the balance sheet at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement using the effective interest method.

(vii) Encumbrances on the assets of the Petroleum Fund

The Petroleum Fund is not permitted to encumber its assets. In accordance with Article 20 of the Petroleum Fund law any contract, agreement, or arrangement, to the extent that it purports to encumber the assets of the Petroleum Fund, whether by way of guarantee, security, mortgage or any other form of encumbrance, is null and void.

(c) Recognition of Petroleum Fund Receipts

The Petroleum Fund Law requires certain parties to deposit taxes and other petroleum-related payments payable to the Government of Timor-Leste directly into the Petroleum Fund. The Petroleum Fund recognizes these and other transactions affecting the capital of the Petroleum Fund as follows:

- Payments made as Petroleum Fund receipts in accordance with Article 6.1(a) are recognized as income in the State accounts, and accordingly are credited directly to the capital account of the Petroleum Fund.
- Payments made by the Designated Authority in accordance with Article 6.1(b) are recognized as income in the State accounts, and accordingly are credited directly to the capital account of the Petroleum Fund.
- Income earned by the Petroleum Fund from the investment of its assets is recognized in the Income Statement and credited to the capital of the Petroleum Fund in accordance with Article 6.1(c).
- Management fees paid from the gross receipts of the Petroleum Fund pursuant to Article 6.2 are recognized in the Income Statement.
- Refunds of taxation made pursuant to Article 10 are shown as reductions in the capital of the Petroleum Fund.

(d) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

(e) Expenses

In accordance with the provisions of the Petroleum Fund Law, all expenses of the Petroleum Fund, not relating to the purchase or sale of securities and recognized in the sale or purchase price, are met by the Banking and Payments Authority of Timor-Leste and are covered by a management fee.

In accordance with Article 6.3 of the Petroleum Fund Law, the management fee paid to the Banking and Payments Authority is recognized as a deduction from the gross receipts of the Petroleum Fund, although it is accounted in the income statement of the Petroleum Fund. Management and performance fees payable to external fund managers are met from the management fee payable to the Banking and Payments Authority.

Expenses which are incidental to the acquisition of an investment are included in the cost of that investment.

Expenses that are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(f) Taxation

The Petroleum Fund is exempt from paying taxes on income, profits or capital gains under the current system of taxation in the Democratic Republic of Timor-Leste.

3. Interest Income

Interest was earned during the year from the following sources:

	2007	2006
	USD	USD
Fixed interest debt securities	37,012,722	12,897,038
Cash and cash equivalents	458,151	252,777
	37,470,873	13,149,815

4. Interest Receivable

The amount of interest accrued at balance date was as follows:

	2007	2006
	USD	USD
Cash and cash equivalents	72	75
Fixed interest debt securities	7,030,540	3,215,684
	7,030,612	3,215,759

5. Financial Assets

Aside from short-term cash management activities, the Petroleum Fund has invested solely in United States Government Treasury Notes from its inception to balance date. Sales of securities have taken place to periodically rebalance the investment portfolio to the benchmark.

	2007 USD	2006 USD
Fair value through profit or loss assets		
Opening cost at 1 July 2006	646,133,185	-
Gains/(losses) at 1 July 2006	-	-
Opening fair value	646,133,185	-
Purchases at cost	1,249,457,943	911,220,196
Proceeds from sales	(520,156,379)	(259,255,492)
Net gain or (loss)	11,346,106	(5,831,519)
Fair value of investment assets at 30 June 2007	<u>1,386,780,855</u>	<u>646,133,185</u>

There were no impairment losses at balance date.

The carrying amount of these assets approximates their fair value.

6. Transfers to the Petroleum Fund

The following table analyses the payments made as Petroleum Fund receipts by month of receipt:

US Dollar					
2007					
Month	Article 6.1(a) receipts	Article 6.1(b) receipts	To Consolidated Fund	From Timor Gap Account	TOTAL
Jul-06	41,046,603	9,243,899	-	-	50,290,502
Aug-06	60,347,214	9,159,996	-	-	69,507,210
Sep-06	53,009,094	9,324,519	-	-	62,333,613
Oct-06	40,227,814	14,077,919	-	-	54,305,733
Nov-06	50,105,521	9,515,872	-	-	59,621,393
Dec-06	33,770,451	7,917,515	-	-	41,687,966
Jan-07	44,548,961	35,743,628	-	-	80,292,589
Feb-07	47,017,424	56,672,927	-	-	103,690,351
Mar-07	34,833,321	91,323,786	(120,000,000)	-	6,157,107
Apr-07	30,162,022	64,837,114	(80,000,000)	-	14,999,136
May-07	29,415,144	70,341,812	(60,067,680)	-	39,689,276
Jun-07	33,987,893	79,518,753	-	-	113,506,646
Totals	498,471,462	457,677,740	(260,067,680)	-	696,081,522

US Dollars					
2006					
Month	Article 6.1(a) receipts	Article 6.1(b) receipts	From Consolidated Fund	From Timor Gap Account	TOTAL
August 2005	17,717,611	-	-	-	17,717,611
September	19,509,978	6,254,198	125,000,000	79,603,705	230,367,882
October	36,230,768	8,528,638	-	-	44,759,406
November	39,907,971	8,814,415	-	-	48,722,386
December	19,715,931	7,394,969	-	-	27,110,900
January 2006	23,601,290	6,335,360	-	-	29,936,650
February	42,318,414	6,362,061	-	-	48,680,475
March	50,843,155	6,967,263	-	-	57,810,418
April	35,379,185	10,846,282	-	-	46,225,467
May	31,819,990	7,666,912	-	-	39,486,902
June	43,680,184	8,301,651	-	-	51,981,835
Totals	360,724,477	77,471,749	125,000,000	79,603,705	642,799,932

7. Payments to State Budget Account

As per Article 7 of the Petroleum Fund Law, the only debits permitted to the Petroleum Fund are electronic transfers to the credit of a single State Budget account. The total amount transferred from the Petroleum Fund for a Fiscal Year must not exceed the appropriated amount approved by Parliament for the year.

During the year ended 30 June 2007 the sum of \$272,834,000 (2006 - \$nil) was approved for appropriation by parliament from the Petroleum Fund. The sum of \$260,067,680 (2006 - \$nil) was transferred from the Petroleum Fund to the State Budget account.

8. Cash and Cash Equivalents

Prior to investment the Petroleum Fund places surplus cash in the New York overnight money market through reverse repurchase agreements. For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	2007	2006
	USD	USD
Cash at bank	211,262	299,284
Overnight reverse repurchase agreements	200,000	200,000
	411,262	499,284

The cash at bank represents the balance at the Federal Reserve Bank of New York, in the earmarked receipts account held by the BPA in accordance with Article 5.2 of the Petroleum Fund Law.

The carrying amount of cash and cash equivalents approximates their fair value.

9. Related Party Transactions

The ultimate controlling party of the Petroleum Fund is the Democratic Republic of Timor-Leste.

The following are related parties:

- (a) The government, as stipulated in Article 11.1 of the Petroleum Fund Law, is the manager of the Petroleum Fund.

The Petroleum Fund receives revenues on behalf of the government, as disclosed in note 2(c). The government, through the State budget, meets the expenses of the Petroleum Fund, including the audit fee, not otherwise covered by the management fee.

- (b) The Banking and Payments Authority of Timor-Leste is the operational manager of the Petroleum Fund, in accordance with Article 11 of the Petroleum Fund Law.

The Government entered into a management agreement with BPA on 12 October 2005 and subsequent amendment of annex 2 for the operational management of the Petroleum Fund. The management agreement provides the Banking and Payments Authority a management fee of US\$524,000, which reasonably represents the Banking and Payments Authority's cost of managing the Petroleum Fund, for the 2006/7 fiscal year. The management fee has been drawn in equal monthly installments.

10. Qualifying Instruments

All financial assets are designated by the Petroleum Fund as at fair value through profit or loss upon initial recognition. In accordance with the provisions of Article 24.1(a) of the Petroleum Fund Law the qualifying instruments of the Petroleum Fund at 30 June 2007 were as follows

		US Dollars		
		2007		
US Treasury Notes		Face Value	Fair Value	% of net assets
3%	15 Nov 2007	303,400,000	301,264,063	21.7
2 5/8%	15 May 2008	199,500,000	195,446,160	14.1
3 3/8%	15 Nov 2008	193,100,000	188,996,624	13.6
2 7/8%	15 May 2009	185,900,000	182,499,888	13.2
3 1/2%	15 Nov 2009	117,500,000	113,845,750	8.2
3 7/8%	15 May 2010	102,800,000	100,028,511	7.2
4 1/2%	15 Nov 2010	69,800,000	68,959,607	5.1
4 7/8%	30 Apr 2011	79,600,000	79,481,392	5.7
4 5/8%	31 Oct 2011	87,600,000	86,579,460	6.2
4 1/2%	30 April 2012	71,000,000	69,679,400	5.0
Total		1,410,200,000	1,386,780,855	100.0

		US Dollars		
		2006		
US Treasury Notes		Face Value	Fair Value	% of net assets
3 ½%	15 Nov 2006	152,300,000	151,329,848	23.4
4 ⅜%	15 May 2007	104,600,000	103,798,765	16.1
3%	15 Nov 2007	93,600,000	90,875,301	14.1
2 ⅝%	15 May 2008	72,800,000	69,515,263	10.7
3 ⅜%	15 Nov 2008	56,300,000	54,087,410	8.4
3 ⅞%	15 May 2009	53,600,000	51,814,047	8.0
3 ½%	15 Nov 2009	40,500,000	38,495,251	6.0
3 ⅞%	15 May 2010	33,700,000	32,250,562	5.0
4 ½%	15 Nov 2010	36,300,000	35,457,477	5.5
4 ⅞%	30 April 2011	18,700,000	18,509,261	2.8
Total		662,400,000	646,133,185	100.0

11. Critical Accounting Estimates and Judgments

The Petroleum Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of the future events that are believed to be reasonable under the circumstances.

Estimates use observable data to the extent practicable. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Petroleum Fund has made a judgment that investments should be recognized on a fair value through profit or loss basis (rather than using the “available for sale” basis) and income recognized accordingly, because the performance of the Petroleum Fund is measured and reported on a fair value through profit or loss basis for the reasons outlined in Note 2(b)(i).

Judgments have been made as to whether certain transactions should be recognised as capital or revenue. The basis for these judgments is outlined in Note 2(c).

12. Risk Management

Investment Strategy

The Petroleum Fund’s objective is to meet benchmark returns on its capital in accordance with the management agreement and within the limits established in Articles 14 and 15 of the Petroleum Fund Law relating to Investment Rules and Qualifying Instruments.

The Rules provide that not less than 90% of the amounts in the Petroleum Fund shall be invested only in the qualifying instruments and the balance may be invested in other financial instruments that are issued abroad, are liquid & transparent, and are traded in a financial market of the highest regulatory standard.

The Rules further provide that a qualifying instrument is:

- (a) an interest bearing debt instrument in US dollars which is rated Aa3 or higher by Moody rating agency or AA- or higher by Standard & Poor's rating agency, or is issued by or guaranteed by World Bank or a sovereign state (other than Timor-Leste) provided the issuer or guarantor is rated as above; or
- (b) interest bearing US dollar denominated debt instrument or US dollar deposit issued by Bank for International Settlements, or European Central Bank, or central bank of a sovereign state (other than Timor-Leste) or any other bank with a long term currency ratings as above.
- (c) A derivative instrument which is solely based on (a) or (b) above provided its acquisition reduces the financial exposure to the risks associated with the underlying instruments.

Furthermore, the average interest rate duration of the qualifying instruments shall be less than 6 years.

These Articles in the law, together with the mandate in the Operational Management Agreement, define the framework within which risks are to be managed.

The interest rate duration (modified duration) of the benchmark and the portfolio at 30 June 2007 was 1.80 years.

The Petroleum Fund did not enter into any transactions of a derivative nature during the period covered by these financial statements, whether for hedging purposes or otherwise.

The Petroleum Fund investment portfolio of assets at fair value through profit or loss (excluding cash and cash equivalents) complied with the legislative and contractual requirements outlined above throughout the year.

The financial risks associated with the Petroleum Fund are monitored by the Risk Management Division of the Petroleum Fund Department at the Banking and Payments Authority, which prepares daily reports for senior management. The Petroleum Fund is subject to periodic audit by the Internal Audit Office of the Banking and Payments Authority, which has operational independence from the management of the Petroleum Fund. The Internal Audit Office provides formal monthly reports to the General Manager, and quarterly reports to the Governing Board of the Banking and Payments Authority.

13. Operational Risk

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems.

The Banking and Payments Authority, as the operational manager of the Petroleum Fund, manages the operational risks associated with the operations of the Petroleum Fund. Operational risk management includes corporate policies that describe the standard of conduct required of staff, and specific internal control systems designed around the particular characteristics of the Petroleum Fund.

Compliance with corporate policies and departmental internal control systems are managed by an active internal audit function, and specific provision in the daily reports prepared by the Risk Management Division for the reporting of all issues that arise in connection with operational matters. The purpose of this section of the reports is to notify senior management promptly of unexpected operational issues, and provide them with the opportunity to provide advice or take remedial action.

14. Credit Risk

Credit risk is the risk of loss arising from counterparty to a financial contract failing to discharge its obligations.

(a) Credit risk management

The framework for managing credit risk is broadly provided for in Article 15 of the Petroleum Fund Law, which states that the only instruments that may be acquired by the Petroleum Fund are interest bearing debt instrument in US dollars which are rated Aa3 or higher by Moody rating agency or AA- or higher by Standard & Poor's rating agency, or are issued by or guaranteed by World Bank or a sovereign state (other than Timor-Leste) provided the issuer or guarantor is rated as above.

In recognition of the mandate in the Operational Management Agreement that the performance of the Petroleum Fund will be measured against a benchmark index comprising United States Government treasury notes, the Banking and Payments Authority has invested the assets of the Petroleum Fund in such notes, which carry the highest credit rating. The maximum loss that the Petroleum Fund would suffer as a result of a default by the United States Government is the value disclosed in the Balance sheet.

(b) Concentration of Credit Exposure

The Petroleum Fund's significant end-of-year concentrations of credit exposure by the industry of the issuer were as follows:

	2007 USD	2006 USD
Sovereign Issuers:		
United States Government	1,393,811,467	649,348,945
	1,393,811,467	649,348,945

(c) Credit Exposure by Credit Rating

The following table presents the Petroleum Fund’s balance sheet classified according to the Standard and Poor’s credit rating of the issuer. AAA is the highest rating possible and indicates that the entity has an extremely strong capacity to pay interest and principal. AA is a high grade rating, indicating a very strong capacity, and A is an upper medium grade, indicating a strong capacity to pay interest and principal. BBB is the lowest investment grade rating, indicating a medium capacity to pay interest and principal. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories.

	2007 US Dollars		2006 US Dollars	
	Balance Sheet	AAA	Balance Sheet	AAA
FINANCIAL ASSETS				
Cash and cash equivalents	411,262	411,262	499,284	499,284
Interest receivable	7,030,612	7,030,612	3,215,759	3,215,759
Investments at fair value through profit or loss	1,386,780,855	1,386,780,855	646,133,185	646,133,185
Total Assets	1,394,222,729	1,394,222,729	649,848,228	649,848,228

(d) Credit Exposure by Counterparty as a percentage of the Petroleum Fund’s Capital

The assets of the Fund exposed to the United States Government amounted to 100% of the Petroleum Fund’s capital.

15. Interest Rate Risk

Interest rate risk is the risk of loss arising from a change in interest rates.

The Petroleum Fund manages this risk by investing passively according to well-defined industry benchmarks.

The assets and liabilities of the Petroleum Fund will re-price within the following periods:

	US Dollars					
	2007 Balance Sheet	Non-interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
FINANCIAL ASSETS						
Cash and cash equivalents	411,262	-	411,262	-	-	-
Interest receivable	7,030,612	7,030,612	-	-	-	-
Investments at fair value through profit or loss	1,386,780,855	-	301,264,063	195,446,160	371,496,512	518,574,120
Total Assets	1,394,222,729	7,030,612	301,675,325	195,446,160	371,496,512	518,574,120
Weighted average interest rate			4.88%	5.02%	4.95%	4.91%

US Dollars

	2006					
	Balance Sheet	Non-interest sensitive	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
FINANCIAL ASSETS						
Cash and cash equivalents	499,284	-	499,284	-	-	-
Interest receivable	3,215,759	3,215,759	-	-	-	-
Investments at fair value through profit or loss	646,133,185	-	151,329,847	103,798,765	160,390,564	230,614,008
Total Assets	649,848,228	3,215,759	151,829,131	103,798,765	160,390,564	230,614,008
Weighted average interest rate		0.00%	4.38%	5.46%	3.52%	5.33%

16. Currency Risk

Currency risk is the risk of losses arising from changes in foreign exchange rates.

The Petroleum Fund is required by the Petroleum Fund law to manage this risk by investing in United States dollar denominated instruments, the United States dollar also being the official currency of Timor-Leste.

The assets of the Petroleum Fund in United States dollars are set out in the following table:

	2007		2006	
	Balance Sheet	Currency of denomination : US Dollars	Balance Sheet	Currency of denomination : US Dollars
FINANCIAL ASSETS				
Cash and cash equivalents	411,262	411,262	499,284	499,284
Interest receivable	7,030,612	7,030,612	3,215,759	3,215,759
Investments at fair value through profit or loss	1,386,780,855	1,386,780,855	646,133,185	646,133,185
Total Assets	1,394,222,729	1,394,222,729	649,848,228	649,848,228
Net Assets	1,394,222,729	1,394,222,729	649,848,228	649,848,228

17. Market Risk

(a) Liquidity risk

Liquidity risk is the risk that the Petroleum Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity may result from an inability to sell a financial asset quickly at close to its fair value.

The Petroleum Fund manages this risk firstly by investing in instruments that do not give rise to commitments that may need to be met, and secondly by investing solely in United States Government Notes, for which a highly liquid and deep market exists.

(b) Market risk

Market risk is the risk that the Petroleum Fund may encounter high market prices, giving low yields, at the point investments mature and the funds are available for reinvestment.

The Petroleum Fund manages its investment portfolio according to a passive investment mandate, and accordingly does not specifically manage this risk.

The principal tool used to manage and control market risk exposure is modified duration. As an approximation¹, we can use the portfolio's modified duration to calculate the change in the portfolio value for a given change in the interest-rate.

The modified duration of the portfolio as of 30 June 2007 was 1.80 years (2006 – 1.70 years). A parallel shift in the yield curve with between -50 and 50 basis points, where 100 basis points are the same as 1%, would increase or decrease the value of the portfolio by \$12.5 million (2006 - \$5.26 million)

18. Reconciliation of Net Cash Flows with Reported Operating Surplus

	2007	2006
	USD	USD
Reported Operating Profit	48,292,979	7,048,296
Add/(Subtract) Non-Cash Items		
Increase in interest receivable	(3,814,853)	(3,215,759)
Net unrealised gain	(11,346,106)	5,831,519
Net cash flow from operating activities	33,132,020	9,664,056

¹ This is a good approximation when interest-rate changes are small. If we use Duration to measure the changes in prices for larger changes in interest-rate the estimation will be inaccurate due to the convexity effect (will always overestimate the changes in NAV).



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE
MINISTÉRIO DAS FINANÇAS
GABINETE DA TESOUREIRO

To : Mr. Cristino Gusmao, Chief of Macroeconomic and Tax Policy Unit,

Cc: Mrs. Emilia Pires, Minister of Finance

From : Mr. Manuel Monteiro, Director of Treasury

Díli, 04 December 2007
Ofício n.º 91/XII/2007

Subject: Statement on accounting policy for Petroleum Fund the FY 2006-07

With respect to the provisions of the Article 24.1 part (c) of the Petroleum Fund Law, following statement on the accounting policy may be kept for your record:

“In accordance with Article 21 of the Petroleum Fund Law, the Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remained in effect at the Petroleum Fund’s balance date. The Financial Statements of the Petroleum Fund have also adopted *IFRS 7: Financial Instruments Disclosures* although the effective date for the standard is 1 January 2007.”

Best Regards

Statement of comparison of income with last three years

(As per Article 24.1 (d) of Petroleum Fund Law No. 9/2005)

Fiscal Year 2005-06 was the first year of operation of the Petroleum Fund, therefore no comparison for previous three years can be given. However, the income for the Fiscal Year 2006-07 and 2005/06 are shown below. Please refer to the Income Statement of the Financial Statements for details.

(US dollars)

FY 2006-07	FY 2005-06	FY 2004-05	FY 2003-2004
48,292,979	7,048,296	Not Applicable	Not Applicable

**Statement of comparison of nominal income on the
investment of Petroleum Fund assets with the real returns
after adjusting for inflation**

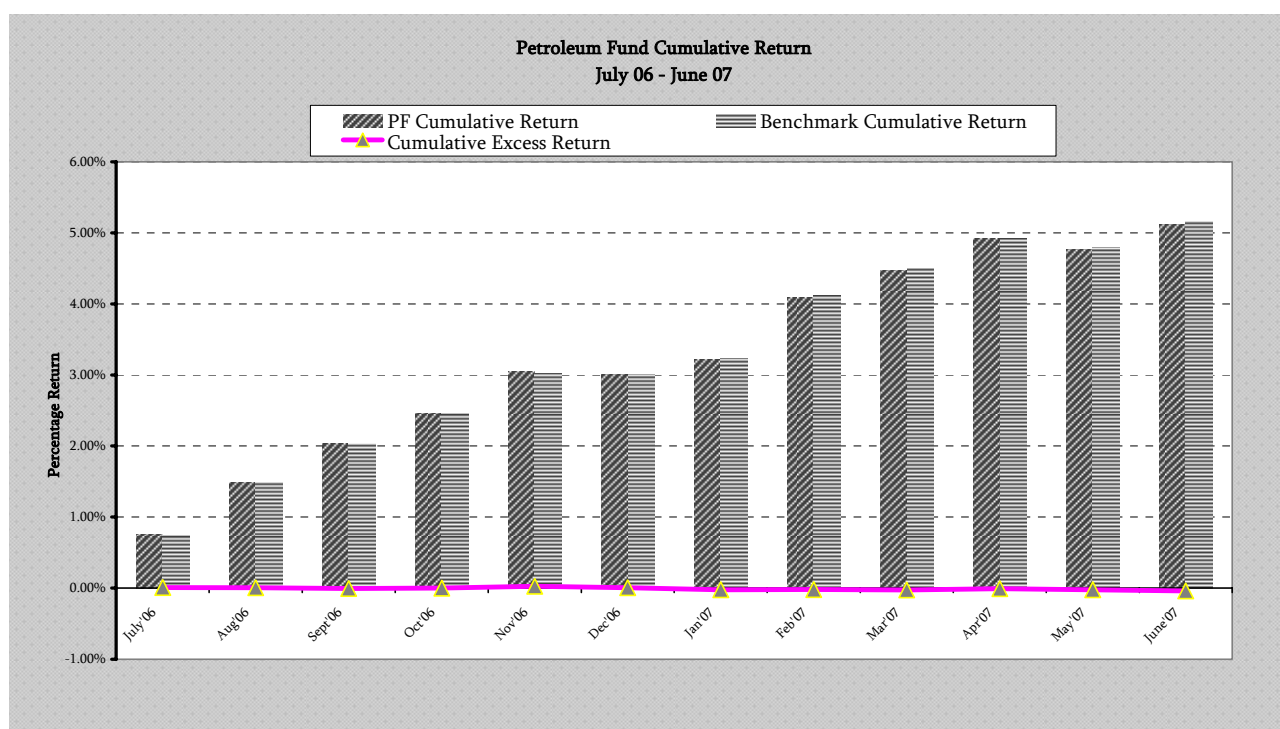
(As per Article 24.1 (e) of Petroleum Fund Law No. 9/2005)

The average yield to maturity of the investments for the Fiscal Year 2006-07 has been estimated at 4.9 percent. During the period from July 2006 to June 2007 inflation in US was 2.7 percent, the real return on the investments, based on the yield to maturity, is accordingly 2.2 percent.

Statement of comparison of income on the investment of Petroleum Fund assets with the benchmark performance indices

(As per Article 24.1 (f) of Petroleum Fund Law No. 9/2005)

Statement of comparison of income on the investment of Petroleum Fund assets with the benchmark performance indices is given below:



Petroleum Fund of Timor-Leste**Year to Date (YTD) Performance****Fiscal Year 2006/2007**

	Portfolio Return	Benchmark Return	Excess Return	Cumulative Portfolio Return	Cumulative Benchmark Return	Cumulative Excess Return
July'06	0.75%	0.75%	0.01%	0.75%	0.75%	0.01%
Aug'06	0.73%	0.74%	0.00%	1.49%	1.49%	0.01%
Sept'06	0.53%	0.54%	-0.01%	2.03%	2.04%	-0.01%
Oct'06	0.42%	0.41%	0.01%	2.46%	2.46%	0.00%
Nov'06	0.58%	0.55%	0.03%	3.05%	3.02%	0.03%
Dec'06	-0.04%	-0.02%	-0.02%	3.01%	3.00%	0.00%
Jan'07	0.20%	0.23%	-0.03%	3.22%	3.24%	-0.02%
Feb'07	0.85%	0.85%	0.00%	4.10%	4.12%	-0.02%
Mar'07	0.36%	0.37%	0.00%	4.47%	4.50%	-0.02%
Apr'07	0.42%	0.41%	0.02%	4.92%	4.92%	-0.01%
May'07	-0.14%	-0.12%	-0.02%	4.77%	4.80%	-0.02%
June'07	0.33%	0.35%	-0.02%	5.12%	5.16%	-0.04%
YTD	5.12%	5.16%	-0.04%			

**Statement of comparison of Estimated Sustainable Income for
the Fiscal Year with the sum of transfers from the Petroleum
Fund for the year**

(As per Article 24.1 (g) of Petroleum Fund Law No. 9/2005)

Estimated Sustainable Income for the Fiscal Year 2006-07 is 283,000,000 US dollars, while the total withdrawal from the Petroleum Fund has been 260,067,680 US dollars.

Please refer to Statement of changes in capital and note 6 of the Financial Statements for further details.



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE
MINISTÉRIO DAS FINANÇAS
GABINETE DA TESOUREIRO

To : Mr. Cristino Gusmao, Chief of Macroeconomic and Tax Policy Unit,

Cc: Mrs. Emilia Pires, Minister of Finance

From : Mr. Manuel Monteiro, Director of Treasury

Díli, 04 December 2007
Ofício n.º 92 / XII / 2007

Subject: Borrowings during the FY 2006-07

During the Fiscal Year 2006-07, there were no borrowings by the Government.

This may kindly be kept for record as required under the Petroleum Fund Law no 9/2005.

Best Regards

List of persons holding relevant positions for the operation and performance of the Petroleum Fund

(As per Article 24.1 (i) of Petroleum Fund Law No. 9/2005)

The list of persons holding relevant positions for the operation and performance of the Petroleum Fund is given below:

- (i) The Minister of Finance

Mrs. Maria Madalena Brites Boavida (20 May 2002 – 7 August 2007)

Mrs. Emilia Pires (8 August 2007 -)

- (ii) The Director of Treasury

Mr. Manuel Monteiro

- (iii) The members of the Investment Advisory Board

No.	Name	Position
1.	Mr. Abraão Fernandes de Vasconcelos	General Manager of the Banking & Payments Authority of Timor-Leste
2.	Mr. Cristino Gusmao	Coordinator of the Macro Economic & Tax Policy Unit, Ministry of Finance
3.	Mr. Sigurd Klakeg (- 29 June 2007) Mr. Vidar Ovesen (29 June 2007 -)	Fiscal Policy and Petroleum Fund Adviser, Ministry of Finance
4.	Mr. Manuel Monteiro	Director of the National Directorate of Treasury
5.	Mr. Torres Trovik	Adviser of the Petroleum Fund

- (iv) The External Investment Managers

Not appointed

- (v) The Administrator of the Central Bank

Mr. Abraão Fernandes de Vasconcelos

General Manager of the Banking & Payments Authority of Timor-Leste

- (vi) The Consultative Council was formally constituted 6 November 2006. For the fiscal year 2006/2007 the members of the Consultative Council were:

No.	Name	Representation	Position
1.	Mrs. Maria de Fatima X. Dias	Civil Society	Coordinator
2.	Mr. Francisco M. de Vasconcelho	Religious Organizations	Vice Coordinator
3.	Mr. Aurelio Guterres	Substitution of the Former President of the National Parliament	Member
4.	Mr. Oscar Lima	Private Business Sector	Member
5.	Mr. Tomas Freitas	Civil Society	Member
6.	Mr. Nuno Rodrigues	National Parliament	Member
7.	Mr. Antero Benedito da Silva	National Parliament	Member
8.	Mr. Alfredo Pires	Appointed by the Former President of the Republic	Member

Mr. Alfredo Pires' position in the Consultative Council is currently vacant as he is the Secretary of State of National Resources. The Former Prime Minister, Mr. Mari Alkatiri and the Former Minister of Planning and Finance, Mrs. Maria Madalena Brites Boavida have asked for suspension as they currently are members of the National Parliament.



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Compilation Report to the Ministry of Finance, Democratic Republic of Timor-Leste in respect of the Statement of Petroleum Fund Receipts for the year ended 30 June 2007

On the basis of information provided by management we have compiled, in accordance with the International Standard on Related Services applicable to compilation engagements, the Statement of Petroleum Fund Receipts (the `Statement`) for the year ended 30 June 2007.

This special purpose report has been prepared in accordance with the requirements of Article 35 of the Petroleum Fund Law listing all payments made to the Petroleum Fund by payer. The Government, as represented by the Minister for Finance is responsible for the Statement.

As this is a Compilation Report we do not express a review statement or an audit opinion thereon.

DELOITTE TOUCHE TOHMATSU

Jody Burton
Partner
Chartered Accountants
Darwin, 28/9/07

Member of
Deloitte Touche Tohmatsu

Petroleum Fund of Timor-Leste
Statement of Petroleum Fund Receipts
for the period 1 July 2006 to 30 June 2007

Payee	Receipt (USD\$)
Article 6.1 (a) Receipts	
Adecco Australia Pty Ltd	29,619
Advance Well Technologies	186
Amec Engineering Pty Ltd	115,237
Baker Hughes Australia Pty Ltd	8,654
Bawana Margatama PT	26,133
Brunel Energy Pty Ltd	13,813
Cape East Philippines Inc_	47,188
Cape Industrial Services Pty Ltd	6,443
Caterpillar of Australia Pty Ltd	14,741
Coates Hire Limited	787
Code Engineering Services Pty Ltd	574,356
Compas Group (Australia) Pty Ltd	30,857
Conoco Phillips (03-12) Pty Ltd	54,192,666
Conoco Phillips (91-12) Pty Ltd	4,484,286
Conoco Phillips Australia Pty Ltd	180,029,949
Conoco Phillips JPDA Pty Ltd	9,207,727
Diamond Offshore Company	258,350
Egis Australia Pty Ltd	1,905
Emet Pty Ltd	438,343
Engineering Service Pty Ltd	3,347
Eni JPDA 03-13 Ltd Branch	53,522,586
Fong Teng Kee Keith	23,640
Furgo Survey Pty Ltd	90,929
Furmanite Australia Pty Ltd	385
Geographe Energy Pty Ltd	75,881
Halliburton Australia Pty Ltd	87,549
Industrial Services Pty Ltd	2,783
Inpex Sahul Pty Ltd	69,188,710
Intico Chase Manhattan BK	4,566
Intico Engineering Service Pty Ltd	52,803
Lloyd Helicopters Pty Ltd	65,587
Monsoon Maritime Services Pty Ltd	38,464
Oilex JPDA 06.103 JT Venture	690
Pae Singapore Pte Lte	24,475
Petroz (Timor Sea) Pty Ltd	3,850,770
Prosafe Personnel Pty Ltd	251,221
PT Bawana Margatama	29,926
PT Silo Bahari Nusantara	102,319

Santos Ltd	49,171,736
Saybolt Australia Pty Ltd	5,535
Schlumberger Oilfield Australia Pty Ltd	30,478
SGS Australia Pty Ltd	124,999
Skilled Group Limited	9,612
Solar Turbines International Company	14,512
Tenix Defence System Pty Ltd	21,268
Tidewater Marine Australia Pty Ltd	89,255
Timor Sea Designated Authority	283,507
Tokyo Timor Sea Resources Pty Ltd	51,667,802
Transfer of Collection Tax to Petroleum Fund	12,381,573
Veritas DGC Australia Pty Ltd	2,569
Woodside Energy Ltd	1,497,947
	492,198,662
Other Revenue	
AusAid Canberra	6,272,800
	6,272,800
Total receipts from Article 6.1 (a)	498,471,462
Article 6.1 (b) Receipts	
Timor Sea Designated Authority	457,677,740
Total receipts from Article 6.1 (b)	457,677,740
Article 6.1 (c) Receipts	
Interest received	33,656,020
Total receipts from Article 6.1 (c)	33,656,020
Total Petroleum Fund Receipts	989,805,222



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**Compilation Report to the Ministry of Finance, Democratic
Republic of Timor-Leste in respect of the Extractive
Industries Transparency Initiative Return for the year ended
30 June 2007**

On the basis of information provided by management we have compiled, in accordance with the International Standard on Related Services applicable to compilation engagements, the accompanying Extractive Industries Transparency Initiative Return ("the Return") of the Government of Timor-Leste for the year ended 30 June 2007.

This special purpose report has been prepared in accordance with the Reporting Guidelines of the Extractive Industries Transparency Initiative for the purpose of disclosure in the Reporting Template of the Government of Timor-Leste. The Government, as represented by the Minister for Finance is responsible for the preparation of the Return.

As this is a Compilation Report we do not express a review statement or an audit opinion thereon.

DELOITTE TOUCHE TOHMATSU

Jody Burton
Partner
Chartered Accountants
Darwin, 28/9/07

Member of
Deloitte Touche Tohmatsu

Extractive Industries Transparency Initiative Return of the Government of Timor-Leste

Host Country reporting on: Petroleum Fund of the Democratic Republic of Timor-Leste

Reporting Period: 1 July 2006 to 30 June 2007

Scope 1: Benefit Streams

Line ref	Guidelines section 6 ref	Volume	Value SUSD
1	Benefit Stream from International Companies only		
1a)	Host Government Production Entitlement from International Companies	I	
	i) Production Stream – in kind		
	*[specify nature of production and units]	N/A	-
	*[specify nature of production and units]	N/A	-
	ii) Production Stream – in cash		-
2	Benefit Stream from National State-Owned Companies		
2a)	Host Government Production Entitlement from National State-Owned Company	I	
	i) Production Stream – in kind		
	*[specify nature of production and units]	N/A	-
	*[specify nature of production and units]	N/A	-
	ii) Production Stream – in cash		-
3	Benefit Streams from International and National State-Owned Company		
3a)	Profit taxes	Iii	498,471,461
3b)	Royalties	Iv	
	- in cash		457,677,740
	- in kind		-
3c)	Dividends	V	-
3d)	Signing bonuses and production bonuses	Vi	-
3e)	License fees, rental fees, entry fees and other considerations for licenses/concessions	Vii	-
3f)	Other payments to Host Governments, specified as:	Viii	
	<u>Bidding Fees</u>		-
	<u>Mapping Fees</u>		-
			-

Scope 2 Benefit Streams

Line ref		Volume	Value
4	Scope 2 Benefit Streams (voluntary disclosure):		
	N/A	N/A	N/A

Host Government sign off

We acknowledge our responsibility for the fair presentation of the Reporting Template in accordance with the Reporting Guidelines, with the exception of:

- N/A
- _____
- _____
- _____

Basis of Preparation

This statement has been prepared in accordance with the Revised Draft Reporting Guidelines issued by the Extractive Industries Transparency Initiative on 23 May 2003. The reporting currency is the US dollar. Benefit Streams have been reported on the cash basis of accounting.