



Annex 10 Deloitte Report on Sustainable Income

Ministry of Finance

Democratic Republic of Timor-Leste

Edificio No. 5, Res-do-Cao

Palacio do Governo, Dili, Timor-Leste

For the attention of: Ms. Emilia Pires, Finance Minister

Dear Madam

Report on Factual Findings relating to the estimated reduction in the Estimated Sustainable Income (Article 9)

In accordance with Amendment #04, Contract No. RDTL 06-08-184-C-0448 dated 18 November 2008 we have performed certain agreed upon-procedures solely for the purpose of providing a report to the Government of the Democratic Republic of Timor-Leste in accordance with Article 9 (c) of the Petroleum Fund Law 9/2005. Our engagement was performed in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*. This report should be read in conjunction with our contract which sets out the basis on which our work was performed.

Scope of work and statement of responsibility

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At your request and agreement, we performed the procedures set out in the table below. The scope of our work was limited solely to those procedures. You are responsible for determining whether the scope of our work is sufficient for your purposes and we make no representations regarding the sufficiency of these procedures for your purposes. If we were to perform additional procedures, other matters might have come to our attention that would be reported to you.

This report should not be taken to supplant any other enquiries and procedures that may be necessary to satisfy the requirements of the recipients of the report.

The procedures we performed did not constitute a review or an audit of any kind and we have not expressed any opinion or drawn any conclusions on the procedures we have performed. We did not subject the information contained in this report or given to us by the Ministry of Finance to checking or verification procedures except to the extent expressly stated below. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to have revealed fraud or misrepresentation by the Ministry of Finance. Accordingly, we cannot accept responsibility for detecting fraud (whether by management or by external parties) or misrepresentation by the management of the Ministry of Finance.



This report is provided solely for your exclusive use and solely for the purpose of satisfying the requirements Article 9 (c) of the Petroleum Fund Law 9/2005. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

Procedures and Findings

Procedures	Findings
<ol style="list-style-type: none">1. Obtain the underlying calculations which support the report of Government that is to be provided to Parliament pursuant to Article 9(b);2. Agree the calculation methodology to the Estimated Sustainable Income calculation for the Fiscal Year Budget 2009 as previously obtained by the Deloitte;3. Obtain the value of the proposed Government transfer being an amount in excess of the Estimated Sustainable Income calculated by the Government for purposes of the Fiscal Year Budget 2009 and agree the value to the updated underlying calculation, which incorporates the proposed Government transfer;4. Reperform the calculation of the estimated reduction in the Estimated Sustainable Income for the Fiscal Years commencing 1 January 2010 that results from the proposed Government transfer from the Petroleum Fund in Fiscal Year 2009;	<ol style="list-style-type: none">1. The underlying calculations which support the report of Government to be provided to Parliament pursuant to Article 9(b) were obtained from the Ministry of Finance on 14 November 2008.2. The calculation methodology was agreed to that of the Estimated Sustainable Income calculation used for the Fiscal Year Budget 2009 as previously obtained by Deloitte.3. A proposed Government transfer of US\$589 million was advised by the Macroeconomics Department of the Ministry of Finance to Deloitte and is noted to exceed the Estimated Sustainable Income of US\$407.8 million as previously calculated by the Government for purposes of the Fiscal Year Budget 2009, by US\$181.2 million. The US\$589 million was incorporated into the updated underlying calculation.4. The calculation of the estimated reduction in the Estimated Sustainable Income for future Fiscal Years commencing 1 January 2010 was reperformed without exception. The estimated reduction in the Estimated Sustainable Income in each future year from 2010 to 2025 ranged from US\$5.4 million to US\$5.5 million over the period as set out in Appendix A.

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Procedures	Findings
5. Provide a report to Government in accordance with Article 9(c) of the Petroleum Fund Law 9/2005.	5. Report herewith.

Yours faithfully

Deloitte Touche Tohmatsu

Jody Burton

Partner

Chartered Accountant

Date: 21 November 2008

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Projected future payments

Year	Projected Income	
	Sustainable	New Proposal
	<i>US \$m</i>	<i>US \$m</i>
2009	407.8	589.0
2010	406.3	400.8
2011	406.1	400.6
2012	405.9	400.4
2013	405.7	400.3
2014	405.6	400.1
2015	405.4	399.9
2016	405.2	399.7
2017	405.0	399.6
2018	404.8	399.4
2019	404.7	399.2
2020	404.5	399.0
2021	404.3	398.8
2022	404.1	398.7
2023	403.9	398.5
2024	403.8	398.3
2025	403.6	398.1

Annex 11 Requirement For Transfers From Petroleum Fund

This report is provided in accordance with Article 8 a) and b) and Article 9 b) of the Petroleum Fund Law.

Article 8 a) and b)

The Estimated Sustainable Income is calculated in accordance with provisions outlined in Schedule 1 of the Petroleum Fund Law.

Estimated Sustainable Income For Fiscal year: 2009	Amount (USD) \$407.8 million
Estimated Sustainable Income For preceding Fiscal year: 2008	Amount (USD) \$396.1 million

A review of the methodology which the ESI-calculations are based on is included in Part 6 of the Budget 2009.

According to Art. 8 c) of the Petroleum Fund Law, the Independent Auditor, shall certify the amount of the Estimated Sustainable Income. The certification report is attached.

Article 9 b)

As required in Article 9 b) the table below shows the reduction of Estimated Sustainable Income for Fiscal Years commencing after 2009, as a result of the proposed transfer from the Petroleum Fund of an amount in excess of the Estimated Sustainable Income in 2009:

Fiscal Year	Estimated Sustainable Income Withdrawals in 2009	
	\$407.8 million	\$589 million
2010	406,3	400,8
2011	406,1	400,6
2012	405,9	400,4
2013	405,7	400,3
2014	405,6	400,1
2015	405,4	399,9
2016	405,2	399,7
2017	405,0	399,6
2018	404,8	399,4
2019	404,7	399,2
2020	404,5	399,0
2021	404,3	398,8
2022	404,1	398,7
2023	403,9	398,5
2024	403,8	398,3
2025	403,6	398,1

According to Art. 9 c) the Independent Auditor shall certify the estimates of reduction in the Sustainable Income. The certification report is attached.

All calculations have been carried out by technical experts in the Ministry of Finance and with external professional assistance.

Annex 12 Audit Report on calculation of Estimate of Sustainable Income (Deloitte Touche Tohmatsu)

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AUDITOR'S REPORT TO THE MINISTRY OF FINANCE, DEMOCRATIC REPUBLIC OF TIMOR-LESTE

We have audited the Estimated Sustainable Income calculation for the Petroleum Fund of Timor-Leste for the fiscal year ended 31 December 2009 for purposes of the Fiscal Year 2009 Budget ("the Calculation"). The preparation of the Calculation is the responsibility of the Government of Timor-Leste. Our responsibility is to express an opinion on whether the Calculation has been prepared in compliance with Article 8 and Schedule 1 of the Petroleum Fund Law of the Democratic Republic of Timor-Leste ("the Law").

We conducted our audit in accordance with International Standards on Auditing applicable to compliance auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Calculation has been prepared in compliance with the Law. An audit includes examining appropriate evidence on a test basis. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Estimated Sustainable Income Calculation for the Petroleum Fund of Timor-Leste for the fiscal year ended 31 December 2009 for purposes of the Fiscal Year 2009 Budget which has been calculated by the Government of Timor-Leste as \$407.8 million United States Dollars, has been prepared, in all material respects, in compliance with Article 8 and Schedule 1 of the Petroleum Fund Law of the Democratic Republic of Timor-Leste.

DELOITTE TOUCHE TOHMATSU

Jody Burton

Partner

Chartered Accountants

Darwin, 21 November 2008