

DEVELOPMENT FUND FOR IRAQ

**INTERIM FINANCIAL INFORMATION
(UNAUDITED)**

30 JUNE 2010



Independent auditors' report on review of interim financial information to Government of Iraq and the International Advisory and Monitoring Board and Committee of Financial Experts of the Development Fund for Iraq

Introduction

We have reviewed the accompanying statement of cash receipts and payments and the statement of proceeds of oil export sales ("the interim financial information") of the Development Fund for Iraq ("DFI") for the six months period ended 30 June 2010. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Public Sector Accounting Standards "Financial Reporting Under the Cash Basis of Accounting". Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of review

Except as explained in the following paragraphs, we conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. The scope also included certain specific review procedures in respect of export sales of petroleum and proceeds from frozen funds. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

1. As explained in note (4) to the interim financial information, the Ministry of Oil does not operate a full operational loading and metering system for export sales of petroleum and petroleum products at extraction and loading points to ensure that all quantities extracted and pumped to export terminals are properly recorded. Although Oil Marketing Company's (SOMO) records reconcile with cash receipts from export sales of petroleum, we were not able to obtain comfort over the volume of all quantities extracted and pumped to export terminals and for internal use due to the absence of an overall comprehensive system of controls over petroleum and petroleum products.
2. As explained in note (5) to the interim financial information, according to the UNSCR 1483 (2003), all member states of the UN in which there are funds or other financial assets or economic resources (collectively referred to as "the frozen funds") of the previous Government of Iraq or its state bodies, corporations, or agencies, located outside Iraq as of the resolution date shall freeze the frozen funds. The frozen funds of the former Iraqi regime are still held by various member states, which the Government of Iraq is actively pursuing. The Government of Iraq cannot reliably estimate the amount of the frozen funds that may eventually be transferred to the DFI, as some of these frozen funds are subject to prior judicial, administrative or arbitral lien or judgment. As a result, as noted in Note 5 to the interim financial information, although we were able to verify the accuracy of the proceeds received from the frozen funds during the six months ended 30 June 2010, we were unable to determine whether all proceeds from the frozen funds have been received by DFI or any proceeds have also been remitted to other Government bodies.



Conclusion

Based on our review, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves on the matters referred to in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Public Sector Accounting Standards (IPSAS) "Financial Reporting Under the Cash Basis of Accounting".

Other matters

The interim financial information for the six months ended 30 June 2010 were reviewed by another auditor whose report dated 29 April 2010 expressed qualified conclusion on the absence of a full operational loading and metering system for export sales of petroleum and petroleum products at loading and extraction points, reliable estimate of the amount of financial assets or economic resources of the previous Government of Iraq or its state bodies, corporations, or agencies located outside Iraq, the incorrect deposit of the mobile telecommunication fees in the DFI account, and the deposit of export sales of petroleum products in SOMO accounts instead of DFI.

Restriction on use

Our report is intended solely for the information and use of the Government of Iraq, the International Advisory and Monitoring Board of the Development Fund for Iraq, and The Committee of Financial Experts and should not be used for any other purpose. We do not accept or assume responsibility for any other purpose or entity to whom this report is shown or into whose hands it may come.

PricewaterhouseCoopers Jordan



Amman, Jordan
26 June 2011

DEVELOPMENT FUND FOR IRAQ
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010
IN THOUSAND USD

	Notes	2010	2009
CASH RECEIPTS			
Export sales of petroleum and petroleum products	4	24,347,158	13,567,081
Proceeds from frozen assets in foreign countries	5	64	-
United Nations Oil for Food program	6	-	121
Interest received	7	10,501	103,659
Other receipts	8	67,034	325,142
Total cash receipts		24,424,757	13,996,003
CASH PAYMENTS			
Transfers to the Iraqi Ministry of Finance	9	17,000,000	8,500,000
Letters of credit for the benefit of Iraqi ministries	10	7,570,999	6,396,927
Contracts administered by U.S. agencies	11	2,025	-
Iraqi external debt repayment	12	-	100,000
Other payments	13	3,541	85,307
Total cash payments		24,576,565	15,082,234
Deficit		(151,808)	(1,086,231)
Purchased treasury bills during the period		(10,289,815)	(8,184,488)
Proceeds from Treasury bills on maturity		7,771,195	10,172,948
Cash and cash equivalents at 1 January	14	3,491,073	130,286
Cash and cash equivalents at 30 June	14	820,645	1,032,515
Treasury bills at 30 June	15	9,013,183	8,184,488
Cash, cash equivalents, and treasury bills at 30 June		9,833,828	9,217,003

Director General MoF
Accounting Department


Imad Ismail Al Naaib

Ministry of Finance


Dr. Rafi Al Esawi

The above statement of cash receipts and payments should be read in conjunction with the accompanying notes

DEVELOPMENT FUND FOR IRAQ
STATEMENT OF PROCEEDS OF OIL EXPORT SALES
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010
IN THOUSAND USD

	2010	2009
Total export sales of petroleum as reported by SOMO	25,441,617	16,256,468
Less:		
Demurrage claims deducted from export sales invoices	(23,472)	(2,783)
Proceeds deposited in Oil Proceeds Receipts Account after end of period	(3,947,796)	(3,766,340)
Add:		
Proceeds deposited in Oil Proceeds Receipts Account related to prior export sales invoices	4,156,197	1,780,392
Price differential	2,039	13,396
Interest on delayed bank transfers	1	5
Total Proceeds deposited in Oil Proceeds Receipts Account	25,628,586	14,281,138
Amounts transferred to the United Nation Compensation Fund (5%)	(1,281,428)	(714,057)
Net proceeds deposited in the Development Fund for Iraq (95%)	24,347,158	13,567,081

The above statement of proceeds of oil export sales should be read in conjunction with the accompanying notes

DEVELOPMENT FUND FOR IRAQ
NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010

IN THOUSAND USD

1 GENERAL

The United Nation Security Council Resolution (UNSCR) 1483 (2003), which were adopted by the Security Council on 22 May 2003, has called for the creation of the Development Fund for Iraq (DFI) to administer proceeds from all the export sales of petroleum and petroleum products in Iraq, remaining funds from Oil for Food Program, and proceeds from frozen assets seized from the previous regime. The DFI was placed under the control of the former Coalition Provisional Authority (CPA).

UNSCR 1483 also called for the creation of an International Advisory Monitoring Board (IAMB), to promote transparency and financial accountability of the DFI.

Under UNSCR 1546, the Security Council and the CPA order number 100 dissolved the CPA and transferred control to Interim Government of Iraq on 28 June 2004 and subsequently to the Transitional Government of Iraq and currently to the Government of Iraq.

The DFI consists of bank accounts held with the Federal Reserve Bank of New York (FRBNY) and managed by the Central Bank of Iraq (CBI) on behalf of the Iraqi Ministry of Finance (MoF). A DFI two sub-accounts were established, the first was established at the FRBNY during 2004 to be managed by the U.S. Agencies and monitored by the Iraqi MoF. The Purpose of this sub-account is to facilitate disbursements for contracts signed by the former CPA requiring payment subsequent to 28 June 2004 and the second Foreign Military Sales (FMS) account was established on 4 December 2006 at the request of the CBI to facilitate for the security expenditures of the Ministry of Justice, Ministry of Interior, and Ministry of Defense.

U.S. Agencies' management of the DFI sub-account expired on 31 December 2006. The U.S. Agencies include the JCC-I, PCO, IRMO, the JASG Comptroller, the DFI Disbursing Office, the Defense Contract Management Agency, the U.S. Army Corps of Engineers and Coalition Forces.

In accordance with UNSCR 1483 (2003), 95% of the proceeds from export sales of petroleum, petroleum products and natural gas from Iraq are to be deposited in the DFI. Furthermore, all Member States are obligated to freeze and transfer funds and other financial assets of the former Iraqi regime to the DFI. In addition, surplus funds from the Oil for Food program, established by UNSCR 986 (1995), are to be transferred to the DFI.

The Republic of Iraq's Council of Ministers resolved in its twenty third meeting held on 19 October 2006 to form Committee of Financial Experts (COFE) to takeover the tasks of the IAMB in monitoring the DFI upon the termination of the IAMB by 31 December 2007. COFE is headed by the president of the Board of Supreme Audit (BSA) and includes two independent experts. COFE is responsible directly to the Council of Ministries. On 1 April 2007, the President of COFE issued his resolution confirming the names of COFE members and announced the commencement of COFE's activities, which will be in parallel with the IAMB's activities.

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The UNSCR 1905 (2009) extended on the arrangements established in paragraph 20 of resolution 1483 (2003) for the depositing into the DFI of proceeds from export sales of petroleum and petroleum products and the arrangements referred to in paragraph 12 of resolution 1483 (2003) and paragraph 24 of resolution 1546 (2004) for the monitoring of the DFI by the IAMB and further decides that, subject to the exception provided for in paragraph 27 of UNSCR 1546 (2004), the provisions of paragraph 22 of UNSCR 1483 (2003) shall continue to apply until 31 December 2010, including with respect to funds and financial assets and economic resources described in paragraph 23.

2 BASIS OF PREPARATION

The interim financial information has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under the cash basis of accounting.

The accounting policies have been applied consistently throughout the period.

The interim financial information has been presented in United States Dollars (USD) which is the functional currency of the Development Fund for Iraq.

The interim financial information has been authorized for publication on 15 June 2011 by the Ministry of Finance.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and overnight placements. The letters of credit cash margins at banks are not included as part of the DFI cash and cash equivalent balances as they are not controlled by the DFI and are restricted for the payment of the outstanding letters of credit to suppliers.

3.2 Treasury bills

Treasury bills are debt securities issued by the U.S. Treasury and purchased through the FRNBY. The Treasury bills have original maturities of 3 to 6 months. The Treasury bills are purchased at a discount from face value and do not pay interest before maturity. The interest is the difference between the purchase price of the bill and the amount paid back at maturity or when sold prior to maturity.

3.3 Cash receipts

Cash receipts are recorded when funds are deposited in the DFI bank accounts at the FRBNY.

3.4 Cash payments

Cash payments including transfers to the Iraqi MoF and cash margins for the issued irrecoverable documentary letters of credit and other payments are recorded when funds are transferred from the DFI bank accounts at FRBNY or from cash held centrally by the U.S. Agencies.

4 EXPORT SALES OF PETROLEUM, PETROLEUM PRODUCTS, AND NATURAL GAS

Export sales allocation for petroleum, petroleum products, and natural gas in accordance with UNSCR 1483.

According to the UNSCR 1483, which were adopted by the Security Council on 22 May 2003, all export sales of petroleum, petroleum products, and natural gas from Iraq following the above resolution date adoption shall be deposited into an Oil Proceed Receipt Account (OPRA) held with the FRBNY and immediately thereafter, 95% is required to be deposited in the DFI at the FRBNY and the remaining 5% is required to be deposited in the United Nations' Compensation Fund as established by UNSCR 687 (1991), and subsequent relevant resolutions, and therefore will not be a part of the DFI's statement of cash receipts and payments.

Fuel oil sales export agreements

Effective as of 1 April 2009 all export of fuel oil were seized for execution except for exports related to the joint agreement between the Iraqi Ministry of Electricity, SOMO, the Turkish Company KARTET, and exports related to the Iraqi Oil Tanker Company. The joint agreement states that KARTET will provide electricity to the Ministry of Electricity in exchange for fuel oil sold by SOMO. This agreement will expire on 31 December 2010.

Net cash received from export sales of petroleum products during the year ended 31 December 2009 amounting to U.S. Dollars 250,960 thousand (from inception till 31 December 2009: U.S. Dollars 3,383,456 thousand), were not deposited into OPRA and are not recorded in the DFI's interim interim financial information. These funds were deposited in bank accounts controlled by SOMO.

According to the Minister of Oil's Memorandum No. 1691 on 26 March 2009 which states that all export of fuel oil be stopped as at 1 April 2009 except for exports related to the joint agreement between the Iraqi Ministry of Electricity, SOMO and the Turkish Company KARTET and exports related to the Iraqi Oil Tanker Company. The joint agreement states that KARTET will provide electricity to the Ministry of Electricity in exchange for fuel oil sold by SOMO. This agreement expires on 31 December 2010.

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010**

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Barter transactions

Prior to 31 December 2007, SOMO was engaged in barter transactions with the Syrian Government and other private companies for exports of petroleum and petroleum products. The value of the barter transactions with the Syrian Government and private companies as recorded by SOMO since inception to 30 June 2010 amounts to USD 750,865 thousand and USD 348,815 thousand respectively. No barter transactions were executed during the six months period ended 30 June 2010. These barter transactions were not recorded in the prior DFI interim financial information and as per SOMO, the value of products received from the Syrian government since inception to 31 December 2007 was USD 448,474 thousand and the value of products received from private companies under barter deals could not be determined. The Iraqi government is claiming an amount of USD 302,391 thousand from the Syrian government, whereby the Syrian government has not responded to the Iraqi government's claims.

Operational loading and metering systems

The Ministry of Oil does not operate a full operational loading and metering system for export sales of petroleum and petroleum products at extraction and loading points to ensure that all quantities extracted and pumped to export terminals are properly recorded. In the absence of an overall comprehensive system of controls over petroleum and petroleum products, it is not possible to reliably determine the volume of all quantities extracted and pumped to export terminal and for internal use

Although the IAMB recommended in March 2004 the expeditious installation of a comprehensive oil metering system in Iraq in accordance with standard oil industry practices, and while the Iraqi Government supports oil metering, progress has been slow. Some meters have been installed at oil terminals, but there continues to be no metering in the oil fields.

5 PROCEEDS FROM FROZEN ASSETS IN FOREIGN COUNTRIES

According to the UNSCR 1483 (2003), which were adopted by the Security Council on 22 May 2003, all member states of the UN in which there are funds or other financial assets or economic resources (collectively referred to as "the frozen funds") of the previous Government of Iraq or its state bodies, corporations, or agencies, located outside Iraq as of the resolution date shall freeze the frozen funds and, unless these frozen funds are themselves the subject of a prior judicial, administrative, or arbitral lien or judgment, immediately shall cause their transfer to the DFI. The frozen funds of the former Iraqi regime are still held by various member states, which the Government of Iraq is actively pursuing. The Government of Iraq cannot reliably estimate the amount of the frozen funds that may eventually be transferred to the DFI, as some of these frozen funds are subject to prior judicial, administrative or arbitral lien or judgment.

The released proceeds from frozen funds for the six months ended 30 June 2010 amounted to USD 64 thousands deposited in the DFI account through U.B.A.F Paris no such proceeds were deposited in the DFI during the six months period ended 30 June 2009. The amount received during the period ended 30 June 2010 belongs to the Central Bank of Iraq (CBI). The CBI has

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claimed back this amount based on the Iraqi Council of Ministers resolution dated 22 November 2005, which directs the refunding of all CBI balances at foreign countries that have been transferred to the DFI.

The cumulative amount that should be refunded to the CBI, based on the CBI claims as of 30 June 2010 amounts to USD 332,777 thousand.

Certain frozen funds of the CBI are being transferred directly to the CBI accounts without passing through DFI.

6 UNITED NATIONS OIL FOR FOOD PROGRAM

The UN Oil for Food (OFF) program was established in accordance with UNSCR 986 (1995), and subsequent relevant resolutions. According to UNSCR 1483 (2003) all surplus funds in the OFF program shall be transferred to the DFI at the earliest possible time.

No proceeds were transferred for the six months ended 30 June 2010 (30 June 2009: USD 121 thousand).

7 INTEREST RECEIVED

	<u>2010</u>	<u>2009</u>
U.S. Treasury bills *	7,828	90,635
Letter of credit cash margins	428	7,110
Overnight repurchase agreement pool facility **	2,245	5,914
	<u>10,501</u>	<u>103,659</u>

- * This amount represents interest received on U.S. treasury bills upon maturity. The DFI received interest from accounts held with FRBNY that are subject to investment in the U.S. Treasury Bills according to FRBNY investment discretion. The following schedule shows the details of interest received from U.S Treasury bills generated from each of the following DFI accounts:

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	2010	2009
Interest from DFI main account	6,210	89,410
Interest from Foreign Military Sales account (FMS)	1,618	1,225
	<u>7,828</u>	<u>90,635</u>

** This amount represents interest received on overnight repurchase agreements. The DFI received interest from the following accounts held with FRBNY that are subject to investment in overnight repurchase agreement according to FRBNY investment discretion. The following schedule shows the details of interest received from overnight repurchase agreement generated from each of the following DFI accounts:

	2010	2009
DFI Main account	1,615	3,449
PCO - Transition account	69	98
Foreign Military Sales account (FMS)	561	2,367
	<u>2,245</u>	<u>5,914</u>

8 OTHER RECEIPTS

	2010	2009
Refunded letters of credit cash margins	54,273	293,286
Others	12,761	31,856
	<u>67,034</u>	<u>325,142</u>

9 TRANSFERS TO THE MINISTRY OF FINANCE

After funds are transferred from the DFI to the Ministry of Finance, they are distributed to other Iraqi ministries and related entities in accordance with their individual budgets.

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10 LETTERS OF CREDITS FOR THE BENEFIT OF IRAQI MINISTRIES

The DFI finances letters of credit payments related to the ministries and its departments and business unites in accordance with their approved budgets. Letters of credit are facilitated by the Trade Bank of Iraq (TBI), authorized by the MoF and disbursed from the DFI's FRBNY account to the TBI's accounts at JP Morgan Chase Bank and Citibank, N.A.

The transferred cash is held at JP Morgan Chase Bank and Citibank, N.A. until evidence of completion of service or receipt of goods is confirmed by the intended Iraqi ministry in accordance with the terms of the letters of credit. The cash margins have not been included as part of the DFI cash balances as they are not controlled by the DFI and are restricted for the payment for the outstanding letters of credit to the suppliers.

The schedule below shows the payments made during the six months period for the benefit of the following Iraqi ministries and its governmental units.

	2010	2009
Ministry of Electricity	2,346,931	2,302,818
Ministry of Trade	1,813,254	1,882,625
Ministry of Oil	1,835,178	1,281,773
Ministry of Defense	856,388	37,370
Ministry of Health	514,011	260,010
Ministry of Water Resources	80,465	119,638
Ministry of Transportation	35,877	14,262
Ministry of Municipality and Public Works	27,499	32,856
Ministry of Internal affairs	21,346	405,972
Ministry of Telecommunications	21,969	37,955
Ministry of Industry and Minerals	9,183	-
Ministry of Finance	1,476	4,000
Ministry of Justice	2,550	2,309
Ministry of Construction and Housing	1,362	-
Ministry of Agriculture	-	15,339
Babil Directorate	3,510	-
	<u>7,570,999</u>	<u>6,396,927</u>

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IN THOUSAND USD

11 CONTRACTS ADMINISTERED BY U.S. AGENCIES

U.S. Agencies have been granted limited authority by the Government of Iraq to administer ongoing outstanding contracts entered into by the former CPA in relation to payments subsequent to 28 June 2004. In September 2007, the Joint Contracting Command - Iraq was granted interim authority by the Ministry of Finance to disburse the remaining funds from the DFI account, On 31 December 2007, this authority was expired and not renewed.

Neither the U.S. Agencies nor the Ministry of Finance reconciled the proceeds made to the U.S. Agencies from the DFI and the amounts disbursed to the reconstruction contracts.

Payments made from the U.S. Agencies sub-account were for the benefit of Baghdad Municipality for road constructions amounted to USD 2,025 thousand for the six months period ended 30 June 2010 no such payments made during the six months period ended 30 June 2009

12 IRAQI EXTERNAL DEBT REPAYMENT

No repayments were made during the six months period ended 30 June 2010 compared to USD 100 million for the six months ended 30 June 2009 made in connection with MoF approval to transfer an amount of USD 200 million to Ministry's account held at the Bank of England, half of which was transferred during December 2008 and the remaining amount was transferred during January 2009. The account held at the Bank of England will be used to settle interest due on debt bilateral agreements reached with Paris Club creditors and non-Paris Club creditors.

13 OTHER PAYMENTS

	2010	2009
Baghdad Municipality	-	69,260
The Independent Electoral Commission of Iraq	3,539	15,962
Others	2	85
	<u>3,541</u>	<u>85,307</u>

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14 CASH AND CASH EQUIVALENTS

As at 30 June

	<u>2010</u>	<u>2009</u>
Accounts held with FRBNY		
Overnight placements	820,500	1,032,400
Operating accounts	<u>145</u>	<u>115</u>
	<u>820,645</u>	<u>1,032,515</u>

Accounts at FRBNY are classified as follows:

CBI/DFI	714,050	923,043
Transition Account – U.S. Agencies	<u>106,595</u>	<u>109,472</u>
	<u>820,645</u>	<u>1,032,515</u>

As at 1 January

	<u>2010</u>	<u>2009</u>
Accounts held with FRBNY		
Overnight placements	3,491,000	130,200
Operating accounts	<u>73</u>	<u>86</u>
	<u>3,491,073</u>	<u>130,286</u>

Accounts at FRBNY are classified as follows:

CBI/DFI	3,382,453	20,814
Transition Account – U.S. Agencies	<u>108,620</u>	<u>109,472</u>
	<u>3,491,073</u>	<u>130,286</u>

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15 TREASURY BILLS

	<u>30 Jun 2010</u>	<u>31 Dec 2009</u>	<u>30 Jun 2009</u>
Face value	9,022,300	6,500,000	8,200,000
Discount	(9,117)	(5,437)	(15,512)
	<u>9,013,183</u>	<u>6,494,563</u>	<u>8,184,488</u>

The movement on Treasury bills for the six months period ended 30 June as follows:

	<u>2010</u>	<u>2009</u>
Treasury bills at 1 January	6,494,563	10,172,948
Purchased treasury bills during the period	10,289,815	8,184,488
Proceeds from matured treasury bills during the period	(7,771,195)	(10,172,948)
	<u>9,013,183</u>	<u>8,184,488</u>

16 COMMITMENTS AND CONTINGENCIES

Contractual commitments consist of open contracts, signed by the former CPA and administered by the U.S. Agencies. Contractual commitments entered into by the Iraqi ministries are considered to be committed through the Iraqi budget, and are not directly committed through the DFI.

The former CPA did not maintain complete accounting records in respect of contractual commitments entered into by U.S. Agencies for the period from inception to 28 June 2004.

On 11 December 2006, the U.S. Agencies submitted the contracts files and other supporting documents of the former CPA and the U.S. Agencies to the BSA. According to the BSA letter dated 25 February 2007, the BSA informed the U.S. Agencies that they found financial and legislative violations, which lead the BSA to review all the submitted documents and the Iraqi entities retained their right to request compensation for any financial damage to the Iraqi budget due to any financial or administrative actions taken by the U.S. Agencies during the execution of the contracts.

In September 2007, the Joint Contracting Command - Iraq was granted interim authority by the Ministry of Finance to disburse the remaining funds from the DFI sub account. On 31 December 2007, this authority was expired and not renewed. The Ministry of Finance was not provided with sufficient data to be able to assess the outstanding contractual commitments balance.

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17 IMMUNITY

In accordance with UNSCR 1483 (2003), certain Member States have taken legal steps, as considered necessary, to ensure immunity of the petroleum and petroleum products originating in Iraq, until title passes to the initial purchaser, from legal proceedings against them so as not to be subject to any form of prior judicial, administrative or arbitral lien or judgment. In accordance with UNSCR 1905 (2009) it was decided to extend the above mentioned arrangements until 31 December 2010.

18 TAXATION

The DFI is not subject to taxation.

19 GOING CONCERN

The DFI's interim financial information for the period ended 30 June 2010 has not been prepared on a going concern basis.

The United Nation Security Council (UNSC) adopted resolution 1905 to extend the arrangements established in Paragraph 20 of UNSCR 1483 (2003) until 31 December 2010.

On 15 December 2010, the UNSC has resolved to terminate, on 30 June 2011, the arrangements established in resolution 1483 (2003) for depositing into the Development Fund for Iraq proceeds from export sales of petroleum, petroleum products and natural gas and decided that this is the final extension of the DFI. The UNSC has directed the transfer of the full proceeds from the DFI to the Government of Iraq's successor arrangements account or accounts no later than 30 June 2011.

20 FOREIGN MILITARY SALES (FMS)

The FMS account was opened on 4 December 2006 at the request of the CBI and initially funded from the DFI account. This account is designated to the security expenditures of the Ministry of Justice, Ministry of Interior and Ministry of Defense. Interest earned from investments in overnight repurchase agreements from the FMS account since its inception are transferred to the main DFI account quarterly (note 7 to the interim financial information). The balance of the FMS account is allocated as follows:

	<u>30 Jun 2010</u>	<u>31 Dec 2009</u>	<u>30 Jun 2009</u>
Overnight placements	638,000	1,474,200	2,057,300
Treasury bills	2,727,085	1,698,325	1,498,417
Operating accounts	35	41	22
	<u>3,365,120</u>	<u>3,172,566</u>	<u>3,555,739</u>

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IN THOUSAND USD

21 ANALYSIS OF RECEIPTS AND PAYMENTS MANAGED BY THE GOVERNMENT OF IRAQ AND US AGENCIES

For the six months ended 30 June 2010

	Government of Iraq	U.S. Agencies	Total
<u>CASH RECEIPTS</u>			
Export sales of petroleum and petroleum products	24,347,158	-	24,347,158
Proceeds from frozen assets in foreign countries	64	-	64
United Nations Oil for Food program	-	-	-
Interest received	10,432	69	10,501
Other receipts	67,034	-	67,034
Total cash receipts	24,424,688	69	24,424,757
<u>CASH PAYMENTS</u>			
Transfers to the Iraqi Ministry of Finance	17,000,000	-	17,000,000
Letters of credit for the benefit of Iraqi ministries	7,570,999	-	7,570,999
Contracts administered by U.S. agencies	-	2,025	2,025
Other payments	3,541	-	3,541
Total cash payments	24,574,540	2,025	24,576,565
Deficit of cash receipts over cash payments	(149,852)	(1,956)	(151,808)
Purchased treasury bills during the period	(10,289,815)	-	(10,289,815)
Proceeds from Treasury bills on maturity	7,771,195	-	7,771,195
Cash and cash equivalents at 1 January	3,382,453	108,620	3,491,073
Cash and cash equivalents at 30 June	713,981	106,664	820,645
Treasury bills at 30 June	9,013,183	-	9,013,183
	9,727,164	106,664	9,833,828

DEVELOPMENT FUND FOR IRAQ
NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010

IN THOUSAND USD

For the six months ended 30 June 2009

	Government of Iraq	U.S. Agencies	Total
<u>CASH RECEIPTS</u>			
Export sales of petroleum and petroleum products	13,567,081	-	13,567,081
United Nations Oil for Food program	121	-	121
Interest received	103,561	98	103,659
Other receipts	325,142	-	325,142
Total cash receipts	13,995,905	98	13,996,003
<u>CASH PAYMENTS</u>			
Transfers to the Iraqi Ministry of Finance	8,500,000	-	8,500,000
Letters of credit for the benefit of Iraqi ministries	6,396,927	-	6,396,927
Iraqi external debt repayment	100,000	-	100,000
Other payments	85,307	-	85,307
Total cash payments	15,082,234	-	15,082,234
(Deficit)/ Excess of cash receipts over cash payments	(1,086,329)	98	(1,086,231)
Purchased treasury bills during the period	(8,184,488)	-	(8,184,488)
Proceeds from Treasury bills on maturity	10,172,948	-	10,172,948
Cash and cash equivalents at 1 January	20,813	109,473	130,286
Cash and cash equivalents at 30 June	922,944	109,571	1,032,515
Treasury bills at 30 June	8,184,488	-	8,184,488
	9,107,432	109,571	9,217,003