



### **III. Internal Audit: Accountancy Checking Commission** Report and Opinion

## 1. Introduction

**1.1.** In accordance with articles 25 and 26 of the statutes of the Calouste Gulbenkian Foundation, the Accountancy Checking Commission presents its Report and Opinion on the Foundation's financial situation, based on the financial statements for the year ended 2006 as presented by the Board of Trustees and certified by the auditors.

**1.2.** The Financial Statements have been prepared in accordance with the International Financial and Reporting Standards (IFRS).

## 2. Consolidated Balance Sheet analysis

**2.1.** The Foundation's consolidated assets at 31 December 2006 amounted to € 3,077.5 million and the liabilities to € 310.4 million, corresponding to reductions of € 6.9 million and € 18.2 million compared to the previous year. Thus, at 31 December 2006, the Foundation's net assets had increased by € 11.3 million to € 2,767.2 million, which represents the increase of 0,4 percent compared to 31 December 2005.

### Main changes to the Balance Sheet

#### Assets

**2.2.** As at 31 December 2006 the consolidated assets amounted to € 3,077.5 million, corresponding to a decrease in the amount of € 6.9 million when compared with the end of 2005.

**2.3.** Non-current assets increased by € 25.3 million. There was an increase in the value of tangible fixed assets of € 60.7 million, largely due to the increase of current fixed assets and the cancellation of an impairment loss following the relevant test. The value of non-current investments decreased by € 35.4 million. The value of oil and gas interests fell as a consequence of changes to their fair value, largely due to the depreciation of the US dollar against the Euro. The total value of other investments increased, both through new acquisitions (to a value of € 15.4 million) and through their increased value (by € 12.7 million).

**2.4.** The current assets which include portfolio investments, treasury applications, cash equivalents and credits with third parties fell by € 32.1 million. However there is also a related increase in portfolio investments of more than € 92 million.

#### Liabilities

**2.5.** The variations in the liabilities saw an overall decrease of € 18.2 million, though it is worth highlighting the reduction in creditors and other liabilities of € 14.9 million.

### **3. Comments on the balance sheet**

#### **Accounting criteria**

**3.1.** In 2006 there was no change to the accounting criteria, with the exception of the accounting for works of art, which ceased to be amortized at the year of acquisition. Thus works of art acquired up to the completion of 2005 had been fully amortized; those acquired from 2006 began to be recorded at acquisition value, and are subject to regular impairment evaluations.

#### **Pension provisions**

**3.2.** There were no changes to the actuarial assumptions for calculating pension provisions.

#### **Fair value reserve**

**3.3.** The reduction in the fair value reserve reflects the depreciation of non-current investments, as referred to in paragraph 2.3.

### **4. Consolidated statement of operations**

**4.1.** Net oil and gas income amounted to € 72.3 million, corresponding to a decrease of € 54.3 million compared to the figures for 2005. It is worth noting that that year included an amount of € 53.6 million from the redemption of royalty rights in oil interests in Oman.

**4.2.** Net financial income amounted to € 120.7 million, compared to € 200.5 million in 2005. This evolution is mainly related to the effective and potential net gains on investments which came to a total of € 66.8 million, corresponding to a reduction of € 93.4 million compared to 2005.

**4.3.** The gains obtained in relation to impairment led to the cancellation of the impairment as referred to in paragraph 2.3.

**4.4.** Distributions and direct activities amounted to € 77.3 million, € 3.9 million more than in 2005, with increases in expenditure within all areas corresponding to the Foundation's statutory purposes.

**4.5.** The provisions for the year amounted to € 13.4 million, far lower than the value for 2005 (€ 45.1 million). As has already been mentioned in paragraph 3.2, in contrast to what happened in 2005, the year 2006 did not see any changes to actuarial assumptions for pension obligations to Foundation employees.

**4.6.** The transfer to the Capital Fund amounted to € 98.2 million in 2006. However, the Capital Fund was negatively affected by the fair value reserve and exchange rates. Thus there was a net increase in the Capital Fund of € 11.3 million.

## **5. Conclusions**

**5.1.** The Accountancy Checking Commission has been provided with the information necessary to enable them to perform their statutory duties.

**5.2.** On this basis, the Accountancy Checking Commission issues the following opinion under article 26 of the statutes:

## Opinion

- › Whereas the individual and consolidated financial statements present truly and fairly, in all material respects, the individual and consolidated financial position of the Calouste Gulbenkian Foundation, and the accounting policies have been uniformly applied by the Foundation and the subsidiary companies; and that documents were provided that give a clear account of the Foundation's economic and financial situation;
- › considering that the activity of the Board of Trustees was in accordance with that set out in the Foundation's statutes;
- › considering those factors exogenous to the actions of the Foundation and its Board of Trustees which negatively affected the Foundation's financial results;
- › The Accountancy Checking Commission has resolved:
  - a) To emphasise the positive financial evolution of the Foundation during 2006;
  - b) To emphasise the excellent performance of the Board of Trustees in the management of the Foundation during 2006;
  - c) To express our appreciation to all Foundation staff for their commitment and competence in performing their duties;
  - d) To ratify the accounts of the Calouste Gulbenkian Foundation for the year 2006.

*Lisbon, 28 June 2007*

Luís Morais Sarmiento  
*Director-General for the Budget*

José Nuno Rangel Cid Proença  
*Director-General for Social Security*

Manuel Jacinto Nunes  
*Member nominated by the Lisbon Academy of Sciences*

Augusto Pereira Brandão  
*Member nominated by the National Academy of Fine Arts*

Manuel Maçaroco Candeias  
*Member nominated by the Bank of Portugal to represent banks and banking houses*