

**INTERNATIONAL COOPERATION  
AND DEVELOPMENT FUND  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2012 AND 2011**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## Report of Independent Accountants

PwCR12000124

To the International Cooperation and Development Fund (TaiwanICDF)

We have audited the accompanying balance sheets of the International Cooperation and Development Fund (TaiwanICDF) as of December 31, 2012 and 2011, and the related statements of revenues and expenses, of changes in fund balances and of cash flows for the years then ended. These financial statements are the responsibility of the TaiwanICDF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TaiwanICDF as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the accounting policies described in Note 2.

As described in Note 19 to the financial statements, certain assets were placed under the custodianship of the TaiwanICDF at the request of the owners and these assets are not reflected in the financial statements. The details of these assets are disclosed for reference purposes only.

*PricewaterhouseCoopers*

March 13, 2013

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The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Taiwan. The standards, procedures and practices in Taiwan governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than Taiwan. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in Taiwan, and their applications in practice.

International Cooperation and Development Fund

Notes to Financial Statements

December 31, 2012 and 2011

(Expressed in NT\$, except as indicated)

1. ORGANIZATION AND HISTORY

1) In accordance with the Statute for the Establishment of the International Cooperation and Development Fund, promulgated by the President of the Republic of China, the International Cooperation and Development Fund (TaiwanICDF) was formed and approved by the Ministry of Foreign Affairs (MOFA) on June 29, 1996. The TaiwanICDF was formed to succeed the International Economic Cooperation Development Fund (IECDF) on June 30, 1996.

The mission of the TaiwanICDF is to provide assistance to developing countries to promote economic growth, strengthening international cooperation, developing foreign relations with allies and friendly countries, and advancing social progress.

2) As of December 31, 2012, the TaiwanICDF had 123 employees.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the TaiwanICDF are prepared in accordance with the TaiwanICDF's accounting policies and accounting principles generally accepted in the Republic of China. The significant accounting policies are summarized below:

1) Accounting Basis

The financial statements are prepared on an accrual basis.

2) Foreign Currency Transactions

The TaiwanICDF maintains its accounts in New Taiwan (NT) dollars. Transactions denominated in foreign currencies are converted into NT dollars at the spot exchange rates prevailing on the transaction dates. Deposits denominated in foreign currencies are translated at the spot exchange rates prevailing on the balance sheet date. Exchange gains or losses are recognized in profit or loss. The other assets denominated in foreign currencies are measured at the historical exchange rate at the date of the transaction.

### 3) Classification of Current and Non-current Items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
- b) Assets held mainly for trading purposes;
- c) Assets that are expected to be realized within twelve months from the balance sheet date;
- d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- b) Liabilities arising mainly from trading activities;
- c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

### 4) Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and other short-term highly liquid investments, which are readily convertible to a fixed amount of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

### 5) Allowance for Uncollectible Accounts

The provision of reserve for bad debts is made based on their risk levels in accordance with the Regulation for the TaiwanICDF Dealings with Past-Due/Non-Performing Loans and Bad Debts.

6) Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

- A. Investments in equity instruments are accounted for using trade date accounting. Investments in debt instruments are accounted for using settlement date accounting, and are measured initially at the fair value of the debt instruments.
- B. Listed stocks and exchange traded funds are measured at their fair value, and the changes in the fair value are included in profit or loss. The fair value of the listed stocks and exchange traded funds is their closing price at the balance sheet date.

7) Financial Assets in Available-for-Sale

- A. Investments in equity instruments are accounted for using trade date accounting. Investments in debt instruments are accounted for using settlement date accounting, and are measured initially at the fair value of the debt instruments. Market value of financial assets in available-for-sale is the fair value plus increasing price.
- B. Financial assets in available-for-sale are evaluated by fair value. Moreover, value changes being listed into the adjusted net value and financial instruments' accumulated gain or loss being erased; financial instruments will be classified into net income or loss. Index stock fund is evaluated by fair value of the balance sheet closing price.
- C. If there is the objective evidence of impairment, financial assets in available-for-sale will be recognized as impairment loss. If Investments in equity instruments' impairment decreased in amount, it will be recognized in adjusted net value.

8) Held-to-maturity Financial Assets

- A. Financial assets carried at cost is recorded using settlement date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. Financial assets carried at cost are recorded at amortized cost.
- C. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. If the fair value of the financial asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

9) Financial Assets Carried at Cost

Financial assets carried at cost are recorded at cost. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss and is no longer recoverable.

10) Long-term Loans Receivable

Foreign currency loans are stated at historical exchange rates.

11) Fixed Assets

A. Fixed assets are stated at cost. Depreciation is provided under the straight-line method based on the assets' estimated economic service lives. The service lives of the major fixed assets are 3 to 10 years. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income.

B. Major improvements and renewals are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

12) Impairment of Non-financial Assets

The TaiwanICDF recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its book value. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years may be recovered.

13) Retirement Plan

A. The TaiwanICDF had a non-contributory pension plan originally, covering all regular employees, which was defined by the Fund. The TaiwanICDF contributed monthly an amount based on 7% of the employees' monthly salaries and wages to the retirement fund deposited with a financial institution. This fund balance was not reflected in the financial statements. Effective September 1, 2009, the TaiwanICDF has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act. Under the New Plan, the TaiwanICDF contributes monthly an amount based on 7% of the payroll grades corresponding to the employees' monthly salaries and wages to the employees' individual pension accounts at the

Bureau of Labor Insurance. No more contributions are made to the TaiwanICDF's retirement fund.

B. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

14) Income Tax

Income tax is accounted in accordance with the Standard for Non-profit Organizations Exempt from Income Tax promulgated by the Executive Yuan, and ROC Statement of Financial Accounting Standards No. 22 ("Accounting for Income Taxes"). Under- or over-provision of income tax in the previous year is accounted for as an adjustment of income tax expense in the current year.

15) Reserve for Contingencies of Guarantee Loss

The TaiwanICDF issues guarantees for private enterprises to secure loans in compliance with the Regulation for the TaiwanICDF in Providing Guarantee for Credit Facilities Extended to Private Enterprises Which Invest in Countries with Formal Diplomatic Relationships promulgated by the MOFA. The reserve is accrued in accordance with the Regulation for the TaiwanICDF Dealings with Past-Due/Non-Performing Loans and Bad Debts.

16) Revenues and Expenses

Revenues (including government donations) are recognized when the earning process is substantially completed and is realized or realizable. Costs and expenses are recognized as incurred.

17) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

18) Settlement Date Accounting

The TaiwanICDF adopted settlement date accounting for the financial assets. For financial asset or financial liability classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss.



### 3. CHANGES IN ACCOUNTING PRINCIPLES

#### Receivables

On January 1, 2011, the TaiwanICDF adopted the renewed Financial Accounting Reporting Standard No. 34 of R.O.C., “Financial Instruments: Recognition and Measurement”. If the impairment would be approved by objective evidence, the receivables and claim would be recognized as impairment loss. This change in accounting principle will not affect our financial report of 2011.

### 4. CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Petty cash	\$ 110,000	\$ 110,000
Demand deposits	287,487,458	158,915,101
Checking deposits	302,909	1,543,465
Time deposits	6,883,049,824	6,573,925,236
Cash equivalents		
- Bonds purchased under resale agreements	50,000,000	180,000,000
Total	<u>\$ 7,220,950,191</u>	<u>\$ 6,914,493,802</u>

### 5. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2012	2011
<u>Current items</u>		
Corporate bonds	\$ 686,960,370	\$ 200,034,151
Government bonds	-	206,921,232
	<u>\$ 686,960,370</u>	<u>\$ 406,955,383</u>
<u>Non-current items</u>		
Corporate bonds	\$ 1,602,639,324	\$ 2,086,354,374
Government bonds	-	-
	<u>\$ 1,602,639,324</u>	<u>\$ 2,086,354,374</u>

## 6. OTHER RECEIVABLES

	December 31	
	2012	2011
Interest receivable	\$ 105,678,884	\$ 96,004,023
ble on completed projects	43,289,622	29,809,443
Other recievables	15,556,316	16,854,724
Total	164,524,822	142,668,190
Less: Allowance for doubtful accounts	( 812,117)	( 930,568)
Net	<u>\$ 163,712,705</u>	<u>\$ 141,737,622</u>

## 7. LONG-TERM LOANS RECEIVABLE

	December 31	
	2012	2011
Long-term loans receivable	\$ 4,504,183,073	\$ 4,726,833,918
Less: Allowance for doubtful accounts	( 115,324,140)	( 124,331,377)
Net	<u>\$ 4,388,858,933</u>	<u>\$ 4,602,502,541</u>

- 1) The TaiwanICDF provides long-term loans in accordance with the Regulations for Loans by the International Cooperation and Development Fund as approved by the Executive Yuan. As of December 31, 2012 and 2011, the total outstanding loans denominated in U.S. dollars amounted to US\$114,599,746.02 and US\$120,719,419.82, respectively. Moreover, as of December 31, 2012 and 2011, the total outstanding loans denominated in Euro dollars amounted to EUR 20,837,674.52.
- 2) Allowances for doubtful accounts were based on the Regulation for the TaiwanICDF Dealings with Past-Due/Non-Performing Loans and Bad Debts.
- 3) As Parque Industrial Oriente S.A. defaulted on the loan extended for the Industrial Park Development Project in Paraguay amounted to US\$11,003,488.32, the TaiwanICDF filed a legal claim against them on September 1, 2003. The court in Ciudad del Este ruled in favor of the TaiwanICDF in the preliminary hearing on March 26, 2004. Parque Industrial Oriente S.A. filed an appeal, which was rejected. Accordingly, it was proposed that the Industrial Park be auctioned off. The guarantor, MOFA, issued the Letter No. Wai-Jing-Fa 10101172470 on December 13, 2012,

expressing that it will commit itself to the liability year by year for 3 years beginning from 2012. The MOFA had repaid US\$5,393,162.77 as of December 31, 2012.

- 4) In order to acquire the right to operate the Industrial Park, the MOFA, issued the Letter No. Wai-Jing-Mao 09333002180 to engage a private Paraguay Synthetic Corporation, which has a registered US\$10,000 share capital in Panama. The TaiwanICDF assisted Paraguay Synthetic Corporation in winning the bid and acquired the title to the land of the Industrial Park of US\$ 7,100,000.
- 5) There was no significant past-due loan as of December 31, 2012 and 2011.
- 6) See Appendix 1 for the statement of changes in long-term loans for the year ended December 31, 2012.

## 8. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2012		December 31, 2011	
	Carrying Amount (NT\$)	Ownership	Carrying Amount (NT\$)	Ownership
<u>Equity investments accounted for using cost method:</u>				
Overseas Investment & Development Corporation	\$ 130,000,000	14.44%	\$ 130,000,000	14.44%
Less: Accumulated Impairment	( 6,000,000)		( 6,000,000)	
	<u>124,000,000</u>		<u>124,000,000</u>	
BTS India Private Equity Fund Limited	121,991,506	6.8%	119,956,818	6.77%
	(=US\$3,907,120)		(=US\$3,839,039)	
Less: Accumulated Impairment	( 10,806,485)		( 10,806,485)	
	<u>(=US\$329,466)</u>		<u>(=US\$329,466)</u>	
	<u>111,185,021</u>		<u>109,150,333</u>	
	<u>235,185,021</u>		<u>233,150,333</u>	
<u>International institution investment fund:</u>				
FIISF-Small Business Account	325,000,000		325,000,000	
	<u>(=US\$10,000,000)</u>		<u>(=US\$10,000,000)</u>	
FIISF-Small Business Account II	330,660,000		330,660,000	
	<u>(=US\$10,000,000)</u>		<u>(=US\$10,000,000)</u>	
FIISF-Small Business Account III	231,520,000		231,520,000	
	<u>(=US\$8,000,000)</u>		<u>(=US\$8,000,000)</u>	
MIF-Specialized Financial Intermediary Development Fund	476,300,000		476,300,000	
	<u>(=US\$15,000,000)</u>		<u>(=US\$15,000,000)</u>	
FIISF-Trade facilitation programme	161,750,000		161,750,000	
	<u>(=US\$5,000,000)</u>		<u>(=US\$5,000,000)</u>	
Less: Accumulated Impairment	( 161,750,000)		( 161,750,000)	
	<u>(=US\$5,000,000)</u>		<u>(=US\$5,000,000)</u>	
	<u>-</u>		<u>-</u>	
	<u>1,363,480,000</u>		<u>1,363,480,000</u>	
	<u>\$ 1,598,665,021</u>		<u>\$ 1,596,630,333</u>	

- 1) The TaiwanICDF engaged the European Bank for Reconstruction and Development (EBRD) to manage the Financial Intermediary Investment Special Fund (FIISF)-Small Business Account and to jointly provide funds for investments and loans in small businesses. Under the agreement, the total investment amount was US\$10,000,000, and the TaiwanICDF invested US\$10,000,000 as of December 31, 2012 and 2011, respectively.

- 2) The TaiwanICDF engaged the EBRD to manage the FIISF-Trade Facilitation Programme to provide trade finance guarantees and loan facilities for local banks. Under the contract, the TaiwanICDF invested US\$5,000,000 as of December 31, 2012 and 2011. This programme had been terminated on December 13, 2009. However, there are still some guarantee commitments that have not yet expired. EBRD will settle the programme account and return the investment amount to the TaiwanICDF after all guarantee commitments have expired. However, the TaiwanICDF bases on conservative principle to recognize impairment loss of NTD \$161,750,000 in 2009.
- 3) The TaiwanICDF commissioned the Multilateral Investment Fund (MIF), which belongs to the Inter-American Development Bank Group, to manage the Specialized Financial Intermediary Development Fund, a financing vehicle co-established by the said two parties. MIF uses resources of its own and the fund's on a pari-passu basis to directly or indirectly invest in, or make loans to well-performing microfinance institutions in Taiwan's partner countries in Central and South America. As of December 31, 2012 and 2011, the TaiwanICDF's accumulated contribution to the fund amounted to US\$15,000,000.
- 4) The TaiwanICDF engaged the EBRD to manage the FIISF-Small Business Account II and to jointly provide funds for investments and loans in small businesses. Under the agreement, the total investment amount was US\$10,000,000, and the TaiwanICDF invested US\$10,000,000 as of December 31, 2012 and 2011, respectively.
- 5) The TaiwanICDF engaged the EBRD to manage the FIISF-Small Business Account III and to jointly provide funds for investments and loans in small businesses. Under the agreement, the total investment amount was US\$20,000,000, and the TaiwanICDF invested US\$8,000,000 as of December 31, 2012.
- 6) The above listed foreign currency investments projects are stated using the historical exchange rate.
- 7) See Appendix 2 for the statement of changes in financial assets carried at cost for the year ended December 31, 2012.

## 9. FIXED ASSETS

	December 31, 2012		
	Cost	Accumulated Depreciation	Net Book Value
Mechanical Equipment	\$ 31,653,238	\$ 19,240,806	\$ 12,412,432
Communication & transportation equipment	2,643,315	1,421,046	1,222,269
Miscellaneous equipment	4,230,072	2,607,438	1,622,634
Leasehold improvements	1,976,268	1,082,199	894,069
	<u>\$ 40,502,893</u>	<u>\$ 24,351,489</u>	<u>\$ 16,151,404</u>

  

	December 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value
Mechanical Equipment	\$ 29,069,067	\$ 16,292,044	\$ 12,777,023
Communication & transportation equipment	2,707,475	1,278,565	1,428,910
Miscellaneous equipment	4,112,559	2,448,898	1,663,661
Leasehold improvements	1,976,268	752,835	1,223,433
	<u>\$ 37,865,369</u>	<u>\$ 20,772,342</u>	<u>\$ 17,093,027</u>

See Appendix 3 for the statement of changes in fixed assets for the year ended December 31, 2012.

## 10. PAYABLES

	December 31	
	2012	2011
Accrued expenses	\$ 41,280,720	\$ 49,977,936
Retained money payable on completed projects	106,690,990	86,246,487
	<u>\$ 147,971,710</u>	<u>\$ 136,224,423</u>

## 11. CONTRACTED PROJECTS EXPENSES

	For the years ended December 31	
	2012	2011
Contracted projects expenses - MOFA		
Personnel expense	\$ 532,080,621	\$ 582,927,339
Operating Expense	538,696,768	464,713,973
Travel and transportation expense	61,933,881	71,069,953
Equipment investment expense	28,191,488	38,023,803
	<u>\$ 1,160,902,758</u>	<u>\$ 1,156,735,068</u>

## 12. INCOME TAX

Activities and related expenses of the TaiwanICDF are in compliance with “Standard for Non-profit Organizations Exempt from Income Tax”. Accordingly, the TaiwanICDF is exempt from income tax. The income tax returns through 2010 have been assessed and approved by the Tax Authority.

## 13. FUNDS

	For the years ended December 31	
	2012	2011
Founding Fund	\$ 11,614,338,576	\$ 11,614,338,576
Donated Fund	<u>854,499,496</u>	<u>854,499,496</u>
Total	<u>\$ 12,468,838,072</u>	<u>\$ 12,468,838,072</u>

- 1) The founding fund balance (NT\$11,614,338,576) was derived from the closure of the IECDF on June 30, 1996. In the official registration with the court, the total property value filed was based on the closing balance of assets of the IECDF. As of March 13, 2013, the total amount of the assets registered with TaiwanICDF was NT\$15,888,379,324.
- 2) The donated fund (NT\$854,499,496) of TaiwanICDF consisted of the following items :
  - A. The amount of NT\$4,423,541 from MOFA’s Committee of International Technical Cooperation (CITC) was consolidated in TaiwanICDF on July 1, 1997.
  - B. The amount of NT\$600,000,000 was donated by the MOFA on January 16, 1999.
  - C. The MOFA provided the amount of NT\$250,075,955 on December 31, 2001 under the Regulation for the TaiwanICDF in Providing Guarantee for Credit Facilities

Extended to Private Enterprises Which Invest in Countries with Formal Diplomatic Relationships. The TaiwanICDF had fulfilled the obligations of the guarantee amounting to NT\$ 152,665,834 as of December 31, 2012.

14. ACCUMULATED EARNINGS

The TaiwanICDF is registered as a consortium juridical person with the aim of strengthening international cooperation and enhancing foreign relations by promoting economic development, social progress and the welfare of the people in partner nations around the world. As the TaiwanICDF is a non-profit organization, distribution of income is not permitted in accordance with its Articles of Association.

15. OTHER REVENUES

	For the years ended December 31	
	2012	2011
Reversal of allowance for doubtful accounts	\$ 9,125,688	\$ -
Income converted from delinquent debts (Nauru Menen Hotel Reconstruction Project)	-	228,113,264
Other	15,840,687	10,406,271
Total	<u>\$ 24,966,375</u>	<u>\$ 238,519,535</u>

16. RETIREMENT FUNDS

1) The TaiwanICDF contributes monthly an amount based on seven percent of the employees' remuneration and deposits it with a financial institution. This fund balance is not reflected in the financial statements. The fund balance with financial institution were NT\$92,318,901 and NT\$96,399,979 as of December 31, 2012 and 2011, respectively.

2) The account for employees' retirement funds allocated by the TaiwanICDF was detailed as follows:

	2012	2011
Balance at the beginning of the year	\$ 96,399,979	\$ 103,748,667
Interest income	1,465,525	718,494
Payments during the year	( 5,546,603)	( 8,067,182)
Balance at the end of the year	<u>\$ 92,318,901</u>	<u>\$ 96,399,979</u>



3) Effective September 1, 2009, TaiwanICDF has been the entity covered by the Labor Standards Law and has adopted the following two schemes:

Scheme A: the pension and severance obligation are settled and the settled amounts are transferred to TaiwanICDF's retirement fund deposited with the financial institution. The employees may claim pension benefits when they retire or reach 55 years old or upon their death.

Scheme B: the pension and severance obligation are not settled and the old pension plan is extended.

Accordingly, the TaiwanICDF recognized an accrued pension reserve of \$16,014,156 for the excess of present value of pension benefits for the past and future service years under the old pension plan over the fair value of the pension fund at the measurement date, September 1, 2009 and contributed the amount to the account in 2010.

4) Effective September 1, 2009, the TaiwanICDF has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act. Under the New Plan, the TaiwanICDF contributes monthly depending on the contribution grades an amount based on 7% of the payroll grades corresponding to the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued in the employees' individual pension accounts could be received in full or in monthly installments when the employees retire. The pension costs under the New Plan for the years ended December 31, 2012 and 2011 amounted to \$6,524,908 and \$5,817,564, respectively.

## 17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>2012</u>	<u>2011</u>
Personnel expenses	\$ 115,232,022	\$ 102,344,241
Salaries	8,658,716	7,713,810
Labor and health insurance	6,524,908	5,817,564
Pension	3,303,324	2,876,689
Others	<u>\$ 133,718,970</u>	<u>\$ 118,752,304</u>
Depreciation	<u>\$ 3,901,583</u>	<u>\$ 4,378,383</u>
Amortization	<u>\$ 1,231,353</u>	<u>\$ 919,993</u>

## 18. COMMITMENTS AND CONTINGENCIES

- 1) Pursuant to the Regulations for Loans by the International Cooperation and Development Fund, the outstanding loans denominated in U.S. dollars that the TaiwanICDF had signed agreements amounted to US\$247,140,769.35 and US\$312,767,523.86 as of December 31, 2012 and 2011, respectively. The loans drawn down as of the said dates amounted to US\$213,947,697.63 and US\$268,261,678.64, and the undisbursed committed balance amounted to US\$33,193,071.72 and US\$44,505,845.22 as of December 31, 2012 and 2011, respectively. Additionally the outstanding loans denominated in Euro dollars amounted to EUR\$56,553,755.54. The loans drawn down as of the said dates amounted to EUR\$20,837,674.52, and the undisbursed committed balance amounted to EUR\$35,716,081.02 as of December 31, 2012 and 2011.
- 2) Pursuant to the Regulations for Investments by the International Cooperation and Development Fund, the committed amounts denominated in U.S. dollars under the outstanding contracts entered into by the TaiwanICDF were US\$65,000,000, of which US\$52,064,625 and US\$51,996,598 had been invested as of December 31, 2012 and 2011, respectively. The balance of the commitment was US\$12,935,375 and US\$13,003,402 as of December 31, 2012 and 2011, respectively. Additionally, the committed amounts denominated in NT dollars under the outstanding investment agreement entered into by the TaiwanICDF has been fully disbursed, with the balance of NT\$130,000,000 as of December 31, 2012 and 2011.
- 3) The TaiwanICDF had entered into a lease agreement with the MOFA to lease state-owned real estate properties. As per the lease agreement, the lease period is from

October 1, 2010 to September 30, 2015 with the rents charged on a monthly basis. The rents are calculated as follows:

A. Land: 3% of the most recent official land price per square meter multiplied by the rental area and divided by 12.

B. Building: 10% of the current taxable building value divided by 12.

#### 19. PROPERTIES UNDER CUSTODIANSHIP

- 1) The government has placed certain assets under the TaiwanICDF's custodianship and management. These properties are entered into memo accounts: "Properties under Custodianship" and "Custodianship Property Payable".

The properties under custodianship were accounted for at cost. Expenditures for major procurement, renewals and improvements were debited to "Properties under Custodianship" and credited to "Custodianship Property Payable". Moreover, the repairs and maintenance expenditures shall be treated as revenues and expenditures of these projects. Upon disposal, the cost was deducted from the book amount. As of December 31, 2012 and 2011, the book value of "Properties under Custodianship" was NT\$675,618,570 and NT\$723,662,354, respectively. In addition, as of December 31, 2012 and 2011, the reserve for severance pay for personnel stationed abroad in charge of the government's assignments, which were administered by the TaiwanICDF on behalf of government and for contracted assistants of the TaiwanICDF amounted to NT\$60,614,954 and NT\$66,210,015, respectively.

- 2) The MOFA has engaged the TaiwanICDF to manage the Central American Economic Development Fund (ROC-CAEDF). As of December 31, 2012 and 2011, the total amount of the ROC-CAEDF was NT\$7,459,167,576 and NT\$7,773,003,355, respectively, and the details of the financial assets of the ROC-CAEDF are as follows:

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>
Cash in bank	\$ 986,382	\$ 28,626,097	\$ 861,266	\$ 26,059,606
Time deposits	254,341,779	7,373,368,166	254,656,160	7,696,982,444
Interest receivable	1,839,529	53,327,956	1,496,792	45,240,540
Prepaid expenses	<u>131,609</u>	<u>3,845,357</u>	<u>156,026</u>	<u>4,720,765</u>
Total	<u>\$ 257,299,299</u>	<u>\$ 7,459,167,576</u>	<u>\$ 257,170,244</u>	<u>\$ 7,773,003,355</u>

The balances are not reflected in the financial statements.

3) The amount of MOFA's stock certificate of Paraguay Synthetic Corporation placed under the TaiwanICDF's custodianship amounted to US\$10,000 as of December 31, 2012 and 2011, as described in Note 7(4).