

Financial Statements

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

NO.073589EA

The Board of Directors

International Cooperation and Development Fund

We have audited the balance sheets of International Cooperation and Development Fund as of December 31, 2000 and June 30, 1999, and the related statements of income, changes in equity and cash flows for the periods then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 bases, 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of International Cooperation and Development Fund as of December 31, 2000 and June 30, 1999, and the results of its operations and its cash flows for the periods then ended, in conformity with as stated in note No.2 and generally accepted accounting principles in the Republic of China.

Clock & Co., CPAs

February 2, 2001

International Cooperation and Development Fund
Balance Sheets
December 31, 2000 and June 30, 1999
(Expressed in New Taiwan Dollars)

ASSETS Description	Notes	2000		1999	
		Amount	%	Amount	%
CURRENT ASSETS		\$8,164,180,300	56.03	\$7,964,217,060	58.93
Cash and cash equivalents	2, 4	5,676,179,942	38.95	5,228,976,074	38.69
Short-term investments	2, 5	2,157,274,809	14.81	2,381,415,470	17.62
Other receivables	6	269,592,890	1.85	308,452,814	2.28
Other current assets		61,132,659	0.42	45,372,702	0.34
LONG-TERM INVESTMENTS AND LENDING		6,375,638,417	43.75	5,533,407,027	40.94
Long-term lending	2, 7	6,518,171,227	44.73	5,600,307,027	41.44
Less: Allowance for uncollectable accounts		(550,500,000)	(3.78)	(353,500,000)	(2.62)
		5,967,671,227	40.95	5,246,807,027	38.82
Long-term investments	2, 8	407,967,190	2.80	286,600,000	2.12
FIXED ASSETS	2, 9	31,139,753	0.22	17,395,073	0.13
Information equipment		14,798,006	0.10	10,024,640	0.07
Communication & transportation equipment		2,532,520	0.02	1,906,550	0.01
Miscellaneous equipment		4,181,473	0.03	3,682,383	0.03
Lease improvement		26,317,073	0.18	12,966,620	0.10
		47,829,072	0.33	28,580,193	0.21
Less: Accumulated depreciation		(16,689,319)	(0.11)	(11,185,120)	(0.08)
OTHER ASSETS		748,367	—	700,227	—
Deposits to suppliers		748,367	—	688,867	—
Intangible assets		—	—	11,360	—
		\$14,571,706,837	100.0	\$13,515,719,387	100.0

(The accompanying notes are an integral part of the financial statements.)

International Cooperation and Development Fund
Balance Sheets
December 31, 2000 and June 30, 1999
(Expressed in New Taiwan Dollars)

LIABILITIES AND EQUITY		2000		1999	
Description	Notes	Amount	%	Amount	%
CURRENT LIABILITIES		\$ 609,064,816	4.18	\$ 66,167,025	0.49
Short-term debt	10	550,000,000	3.77	—	—
Accrued expenses and other payable		12,737,185	0.09	412,992	—
Retained money payable		46,327,631	0.32	65,754,033	0.49
OTHER LIABILITIES		24,035,379	0.17	19,066,763	0.14
Deposits received		2,844,250	0.02	3,358,650	0.02
Collects for others		21,191,129	0.15	15,708,113	0.12
TOTAL LIABILITIES		633,100,195	4.35	85,233,788	0.63
FUNDS AND SURPLUS					
Initial funds	11	11,614,338,576	79.70	11,614,338,576	85.93
Donated funds	11	604,423,541	4.15	604,423,541	4.47
Accumulated surplus		1,719,844,525	11.80	1,211,723,482	8.97
TOTAL EQUITY		13,938,606,642	95.65	13,430,485,599	99.37
TOTAL LIABILITIES AND EQUITY		\$14,571,706,837	100.0	\$13,515,719,387	100.0

(The accompanying notes are an integral part of the financial statements.)

International Cooperation and Development Fund
Statements of Income
for the Periods Ended December 31, 2000 and June 30, 1999
(Expressed in New Taiwan Dollars)

Description	Notes	2000		1999	
		Amount	%	Amount	%
REVENUES		\$ 2,698,688,361	100.0	\$ 1,909,411,233	100.0
Revenues from contracted projects	2	1,527,657,671	56.60	1,115,641,380	58.43
Revenues from investment & lending		452,263,159	16.76	257,309,275	13.47
Interest from fund		584,808,745	21.67	446,929,898	23.41
Miscellaneous revenues		1,518,674	0.06	50,398	—
Foreign exchange gain	2	127,420,862	4.72	89,477,602	4.69
Other revenues		5,019,250	0.19	2,680	—
EXPENSES		2,190,567,318	81.17	1,562,653,692	81.84
Contracted projects expenses	2	1,527,657,671	56.61	1,115,641,380	58.43
Investment & lending expenses		221,578,748	8.21	226,882,371	11.88
Technical cooperation expenses		237,410,112	8.80	146,195,674	7.66
Business plan expenses		32,915,535	1.22	4,833,595	0.25
General & administrative expenses		115,673,929	4.29	61,176,669	3.20
Unrealized losses on market value decline of short-term investments		29,400,524	1.09	—	—
Miscellaneous expenses		—	—	7,924,003	0.42
Losses on sales of short-term investments		8,307,592	0.30	—	—
Interest expenses	2	14,523,551	0.54	—	—
Other expenses		3,099,656	0.11	—	—
NET INCOME		\$ 508,121,043	18.83	\$ 346,757,541	18.16

(The accompanying notes are an integral part of the financial statements.)

International Cooperation and Development Fund
Statements of Changes in Equity
for the Periods Ended December 31, 2000 and June 30, 1999
(Expressed in New Taiwan Dollars)

Description	Initial Funds	Donated Funds	Accumulated Surplus	Total
Balance, July 1, 1998	\$11,614,338,576	\$ —	\$ 864,965,941	\$12,479,304,517
Donated Funds		604,423,541		604,423,541
Income for 1999			346,757,541	346,757,541
Balance, June 30, 1999	11,614,338,576	604,423,541	1,211,723,482	13,430,485,599
Income for 2000	—	—	508,121,043	508,121,043
Balance, December 31, 2000	\$11,614,338,576	\$ 604,423,541	\$1,719,844,525	\$13,938,606,642

(The accompanying notes are an integral part of the financial statements.)

International Cooperation and Development Fund
Statements of Cash Flows
for the Periods Ended December 31, 2000 and June 30, 1999
(Expressed in New Taiwan Dollars)

Description	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 508,121,043	\$ 346,757,541
Adjustments:		
Depreciation expenses	9,279,906	5,147,387
Amortization expenses	11,360	11,360
Bad debt expenses	197,000,000	186,500,000
Loss on disposal of fixed assets	3,099,656	—
Unrealized losses on market value decline of short-term investments	29,400,524	—
Decrease (Increase) in other receivables	38,859,924	(57,040,759)
(Increase) in other current assets	(15,759,957)	(14,928,810)
Increase (Decrease) in accrued expenses & other payables	12,324,193	(227,514)
(Decrease) Increase in retained money payable	(19,426,402)	54,159,037
Increase (Decrease) in collects for others	5,483,016	(14,239,627)
Net Cash Provided by Operating Activities	768,393,263	506,138,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	194,740,137	639,135,887
Increase in long-term investments and lending	(1,039,231,390)	(380,198,532)
Increase in fixed assets	(26,124,242)	(6,934,571)
Increase in deposits to suppliers	(59,500)	(438,950)
Net Cash Provided (Used) in Investing Activities	(870,674,995)	251,563,834
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term liabilities	550,000,000	—
Increase (Decrease) in deposits from suppliers	(514,400)	3,170,650
Proceeds from donated funds	—	604,423,541
Net Cash Provided (Used) by Financing Activities	549,485,600	607,594,191
NET INCREASE IN CASH AND CASH EQUIVALENTS	447,203,868	1,365,296,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,228,976,074	3,863,679,434
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,676,179,942	\$ 5,228,976,074

(The accompanying notes are an integral part of the financial statements.)

International Cooperation and Development Fund
Notes to Financial Statements
December 31, 2000 and June 30, 1999
(Expressed in New Taiwan Dollars except particular footnotes)

1. ORGANIZATION AND HISTORY

In accordance with the statute promulgated by the President on January 15, 1996, the International Cooperation and Development Fund (ICDF) was formed and approved by the Ministry of Foreign Affairs on June 29, 1996. ICDF was formed and registered as consortium juridical person, and it assumed the net value of the funds from the International Economic Cooperation Development Fund (IECDF), which was abolished on June 30, 1996.

The Mission of the ICDF is to assist developing countries in their economic growth, strengthen international cooperation, develop foreign relations and increase economic development, social progress and the well-being of mankind.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Fiscal Year

The Fund's accounting year commences on July 1 and concludes on June 30 of the following year. According to the recent government accounting system in the ROC, the Fund will take the calendar year system in 2001 instead. So this fiscal year is a particular accounting period, beginning July 1, 1999, and ended December 31, 2000.

(2) Accounting Basis

Accrual basis, except for fund aids of contracted projects from government agencies or other agencies.

(3) Cash Equivalents

ICDF considers all highly liquid instruments purchased with a maturity of three months or less from date of acquisition to be cash equivalents.

(4) Short-term Investments

Short-term investments are recorded at cost. If they belong to short-term notes, the evaluations are based on cost or market price, whichever is lower. If no market price is available, cost will govern. When they are exchanged before maturity or sold at maturity, their cost and gain or loss are calculated based on specific identification.

(5) Long-term Loans

ICDF loans to other countries' government agencies are recorded and calculated based on actual exchange rate on the date of settlement of exchange.

(6) Long-term Investments

Long-term investments are recorded based on the cost and evaluated based on cost method.

(7) Allowance for Uncollectable Accounts Long-term Lending

Allowance for uncollectable accounts is estimated on the basis of collectability after filing application to the governing authority.

(8) Fixed Assets

Fixed assets are recorded at cost. Major improvements, renewals and replacements are capitalized, while repairs and maintenance are expensed currently. 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. Depreciation is computed by the straight-line method over the estimated useful lives.

(9) Pension Plan

ICDF charges pension expenses and appropriate pension fund monthly. The appropriated pension funds, independent of the assets of ICDF, are deposited in financial institutions in the name of ICDF. If appropriated funds are not sufficient to pay pensions, ICDF will charge and pay the difference.

(10) Foreign Currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the exchange rate when the transactions occur. Exchange gains or losses are credited or charged to income in the year of actual conversion or settlement.

(11) Receipt and Disbursement of Contracted Projects

ICDF receives fund aids of entrusted projects from government agencies or other agencies. When the funds are used, the expenditure is charged to Contracted Project Expenditure accounts by project. At the end of each month the amount of accumulated fund expenditures is deducted from the Received in Advance—Contracted Project Funds account and charged to Revenue from Contracted Project account.

(12) Reclassification

Certain reclassifications have been made in the 1999 financial statements to conform to classifications adopted in 2000.

3. APPROVAL AND ADJUSTMENT OF FINANCIAL STATEMENTS

The receipt and disbursement accounts of special government funds of this foundation should be reviewed by the Ministry of Audit. After its review and approval the receipt and disbursement accounts of the government special funds were then settled. If there were any adjustments, the adjustments will be booked in the following year.

9. FIXED ASSETS

	December 31, 2000		
	Cost	Accum. Deprec'n.	Net
Information equipment	\$14,798,006	\$ 5,828,569	\$ 8,969,437
Communication & transportation equipment	2,532,520	1,438,054	1,094,466
Miscellaneous equipment	4,181,473	1,451,505	2,729,968
Lease improvement	26,317,073	7,971,191	18,345,882
Total \$47,829,072	\$16,689,319	\$31,139,753	

	June 30, 1999		
	Cost	Accum. Deprec'n.	Net
Information equipment	\$10,024,640	\$ 3,799,742	\$ 6,224,898
Communication & transportation equipment	1,906,550	1,107,620	798,930
Miscellaneous equipment	3,682,383	1,334,718	2,347,665
Lease improvement	12,966,620	4,943,040	8,023,580
Total \$28,580,193	\$11,185,120	\$17,395,073	

Depreciation for 2000 and 1999 are NT\$9,279,906 and \$5,147,387, respectively.

10. SHORT-TERM DEBT

It is a re-purchase bonds finance transaction. The details are as follows:

Bonds	December 31, 2000		
	Period	Rate	Amount
Inter-American Development Bond 1999A	2000.12.11-2001.1.10	4.95%	\$ 100,000,000
Government Bond 84-1	2000.12.21-2001.1.19	4.90%	200,000,000
Government Bond 86-3	2000.12.21-2001.1.19	4.90%	50,000,000
Inter-American Development Bond 1999A	2000.12.21-2001.1.19	4.90%	100,000,000
Inter-American Development Bond 1999B	2000.12.21-2001.1.19	4.90%	100,000,000
Total			\$550,000,000

11. FUNDS AND CURRENT SURPLUS AND DEFICIT

The ICDF's initial funds was the succession of the net value of final account belonging to the International Economic Cooperation and Development Fund, MOEA, after it was abolished. The net value of NT\$11,614,338,576 was the closing value at June 30, 1996 (total assets NT\$11,634,131,427, total liabilities NT\$19,792,851), but NT\$11,634,131,426 was used as registered assets to court.

The Ministry of Foreign Affairs (MOFA) donated NT\$600,000,000 to ICDF on January 16, 1999 and MOFA's Overseas Technical Cooperation Committee was consolidated into ICDF with assets of NT\$4,423,541. The combined total assets NT\$604,423,541 are booked as donated funds.

12. COMMITMENTS

(1) In accordance with Loan and Investment Dealing procedure of Consortium Juridical Person International Cooperation and Development Fund, as of December 31, 2000 and June 30, 1999, ICDF has signed the loan agreement US\$413,773,746.81 and US\$383,293,586.06, respectively. But US\$224,819,716.68 and US\$236,296,548.51 was released and balance commitment still has US\$127,594,170.85 and US\$146,997,037.55.

(2) This Fund is in charge of and operates the assets based on the content of government contracted projects. The property right of these assets does not belong to this Fund. This Fund records these assets as "Properties Under Custody" and "Custody Properties Payable." Custody properties pricing is based on cost; expenditures for major additions, renewal and improvement are booked as increments to the "Properties Under Custody" and "Custody Properties Payable" accounts. Expenditures for repair and maintenance are booked as receipts and expenditures of the entrusted projects. When the custody projects are abandoned, their cost will be deleted from the books. Up to December 31, 2000, the book value of custody properties is NT\$189,057,911.

(3) Entrusted by Ministry of Foreign Affairs, this Fund is in charge of managing the ROC-Central American Economic Development Fund. The property rights of the ROC-Central American Economic Development Foundation do not belong to this Fund. Up to December 31, 2000 and June 30, 1999, the book value of the Foundation is NT\$2,116,634,408 (US\$66,054,781.83) and NT\$729,484,144 (US\$20,996,128.20). The details of its assets are as follows:

	December 31, 2000		June 30, 1999	
	US Dollars	NT Dollars	US Dollars	NT Dollars
Cash in bank	\$ 2,588,723.82	\$ 81,754,080	\$ 1,689,991.63	\$ 58,644,163
Time deposits	62,284,757.99	1,996,286,042	19,040,931.71	661,624,775
Interest receivable	915,089.92	30,197,968	265,204.86	9,215,206
Clearing account	266,210.10	8,396,318	—	—
Total \$ 66,054,781.83	\$2,116,634,408	\$ 20,996,128.20	\$ 729,484,144	

(4) Entrusted by Ministry of Foreign Affairs, this Fund is in charge of managing the Macedonia Economic Development Foundation. The property rights of the Macedonia Economic Development Foundation do not belong to this Fund. Up to December 31, 2000, the book value of the Foundation is NT\$84,035,078 (US\$2,707,195.27) The details of its assets are as follows:

	December 31, 2000	
	US Dollar	NT Dollar
Cash in bank	\$ 473,752.27	\$ 15,017,459
Time deposits	2,200,000.00	67,914,000
Interest receivable	33,443.00	1,103,619
Total	<u>\$2,707,195.27</u>	<u>\$ 84, 035,078</u>

13. FICTIONALIZED FINANCIAL STATEMENTS

ICDF will take calendar year system in 2001. The fictionalized financial statements (the period from January 1 to December 31 in 1999 and 2000) are as follows:

(a) Balance Sheets	December 31, 2000	December 31, 1999 (not audited by CPA)
Current assets	\$ 8,164,180,300	\$ 8,075,152,267
Long-term lending – net	5,967,671,227	5,592,732,335
Long-term investments	407,967,190	386,600,000
Fixed assets – net	31,139,753	18,378,543
Other assets	748,367	160,798,831
Total assets	<u>\$ 14,571,706,837</u>	<u>\$ 14,233,661,976</u>
Current liabilities	\$ 609,064,816	\$ 372,612,734
Other liabilities	24,035,379	329,030,156
Total liabilities	<u>633,100,195</u>	<u>701,642,890</u>
Initial funds	11,614,338,576	11,614,338,576
Donated funds	604,423,541	604,423,541
Accumulated surplus	1,719,844,525	1,313,256,969
Total equity	<u>13,938,606,642</u>	<u>13,532,019,086</u>
Total liabilities and equity	<u>\$ 14,571,706,837</u>	<u>\$ 14,233,661,976</u>

(b) Statements of Income	For the period ended December 31, 2000 (not audited by CPA)	For the period ended December 31, 1999 (not audited by CPA)
Revenues	\$ 2,211,376,160	\$ 1,868,456,301
Revenues from investment & lending	337,248,394	295,189,119
Revenues from contracted projects	1,209,735,159	1,036,093,290
Interest from fund	455,234,809	413,735,108
Other revenues	4,875,183	146,747
Foreign exchange gain	105,332,309	110,448,662
Miscellaneous revenues	993,138	525,536
Gain on disposal of investment	97,957,168	12,317,839
Expenses	<u>1,803,622,415</u>	<u>1,559,907,606</u>
Investment & lending expenses	147,903,490	289,012,692
Technical cooperation expenses	197,881,868	141,510,946
Business plan expenses	29,307,903	7,739,652
General & administrative expenses	72,581,087	63,356,468
Contracted projects expenses	1,209,735,159	1,034,093,290
Miscellaneous expenses	—	7,922,719
Other expenses	3,099,656	—
Foreign exchange losses	13,437,245	12,841,696
Interest expenses	14,523,551	—
Losses on disposal of investment	115,152,456	3,430,143
Net Income	<u>\$ 407,753,745</u>	<u>\$ 308,548,695</u>