Accounting Management

Fund Management

At the close of December 2003, the total value of ICDF assets stood at NT$14,942,266,641. Of this, liquid assets (including cash, bank deposits and securities) accounted for NT$9,056,458,857 (60.61 percent), fixed assets for NT$13,669,296 (0.09 percent), long-term investment and loans for NT$5,640,853,917 (37.75 percent), and others for NT$231,284,571 (1.55 percent).

Total liabilities totaled only NT$237,539,183, which included liquid debts of NT$234,475,211 (98.71 percent) and other liabilities of NT$3,063,972 (1.29 percent). Potential liabilities in the form of credit guarantee funds came to US$1,125,000.

The net asset value of the Fund at the close of 2003 was NT$14,704,727,458. Of this, accumulated funds stood at NT$12,468,838,072 (NT$250,075,955 of which were defined as credit guarantee funds). Cumulative retained earnings stood at NT$2,233,152,760. Cumulative translation adjustments (differences accounted for by currency exchange differences) totaled NT$2,736,626.

Budget Management

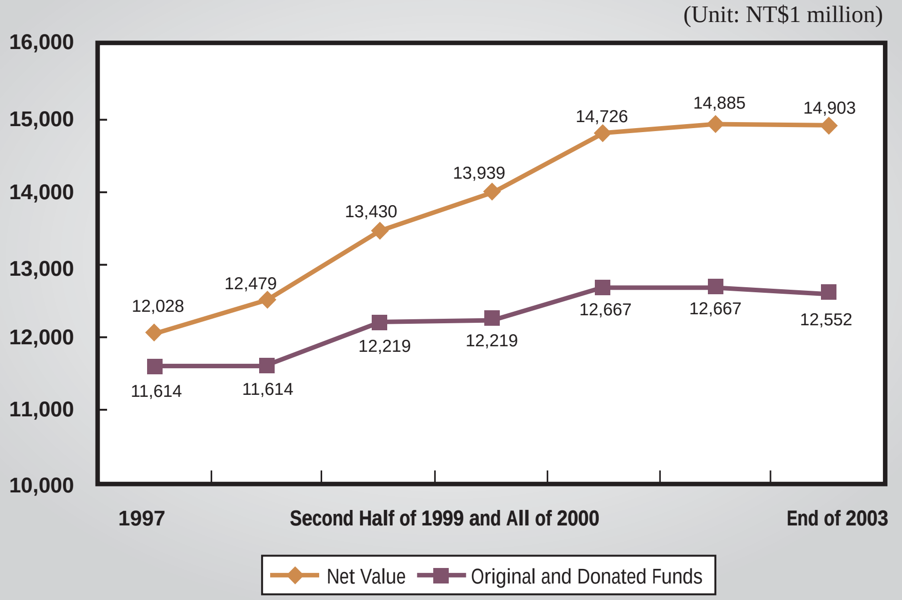
Income

The ICDF's budget comes primarily from interest and investment returns, as well as commission income earned for carrying out projects on behalf of the government. Of this commission income, the bulk comes from the MOFA, which commissions the ICDF to manage technical missions abroad. An independent account has been established to manage these funds. Interest and investment income is divided into opera-

Fund Net Value Trend Chart

1997-2003 Government Donated Funds, Comparison with Net Value

(Unit: NT$1 million)



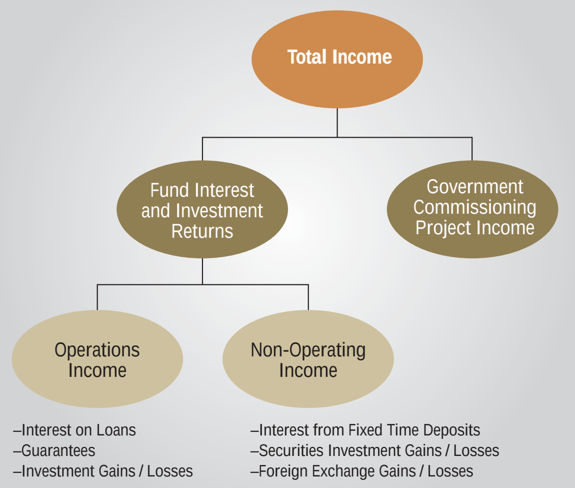
tional income (including interest income from loans, income from guarantee fees and investment returns) and non-core operational income (short- and medium- term instruments).

Income in 2003, including interest and investment returns, totaled NT$672,737,851. Of this, interest income from loans stood at NT$248,461,695 (36.93 percent) and from non-core operation income at NT$424,276,156 (63.07 percent). In addition, government-derived commission income stood at $1,292,435,851. This income contributed 102.68 percent of income budgeted (total income as a proportion of budgeted income). Average interest earned from loans (interest income from each NT$1 of loans) for 2003 was about 4.77 percent. Investment income profitability stood at about 4.64 percent.

Expenditures

Expenditures for the year were divided into core operational expenses and non-core expenses. Core expenses included those associated with technical missions, technical cooperation, international human resource development, investment and lending, operational planning (including humanitarian assistance), and administrative management (including salaries, depreciation, and other costs). Non-core expenses

Income Structure Chart



Composition of Expenditures and Budgeted Utilization

	Composition of Expenditures		Rate of Utilization	
	Value			
Total Expenditures	1,951,180,933	100%	102.80%	
Operational Expenditures	1,733,261,399	100%	88.83%	91.32%
Technical Mission Operations	1,292,435,851	74.57%	66.24%	93.84%
Investment and Lending Operations	126,667,238	7.31%	6.49%	70.06%
Technical Cooperation Operations	89,204,359	5.15%	4.57%	98.24%
International Human Resource Development Operations	85,215,114	4.91%	4.37%	85.08%
Operational Planning (Including Humanitarian Assistance)	49,027,969	2.83%	2.51%	94.08%
Administrative Managements	90,012,567	5.19%	4.61%	92.84%
Other Costs	698,301	0.04%	0.04%	
Non-Core Expenditures	217,919,534		11.17%	

included interest expenditures, exchange rate losses, adjustment expenses, losses associated with the disposal of investments, etc. The composition of expenditures for the year and expenditure utilization (expenses as a proportion of the budget) follows in the chart below:

Technical Mission Dedicated Accounts

In an effort to provide technical missions with a high degree of financial independence and to utilize limited resources effectively, most assistance programs and international cooperation projects aim to be self-sustaining through revolving funds that promote sustainable development. This encourages local participants to use assistance resources carefully and in a manner which fosters sustainable growth. At the end of 2003, there were 71 project dedicated accounts in 24 countries around the world with allocated funds totaling US$2,941,203.48. In the future, these funds will continue to serve as revolving capital to carry out other assistance projects. A breakout of the funding for these projects is detailed in the ICDF 2003 Financial Statement.

Finance and Accounting Risk Management

In addition to loans, investments and guarantees, the ICDF also engages in bank deposits and securities trade. The ICDF avoids the risks inherent in financial institutions to ensure consistent strength in its fiscal related operations and proper risk management. ICDF operations present various latent risks, including risks from bad loans, wrong investment decisions, unfulfilled investment guarantees, and interest rate fluctuations.

Loan risk addresses the risk that borrowers will be unable to repay debts owed to the ICDF. The Fund only provides loans to sovereign nations, making the agency vulnerable to sovereign risk. To offset this, the ICDF carefully evaluates each project on a case-by-case basis. In the case of cooperation with international organizations, loans are made only to those with substantial experience. The ICDF further references IMF and other international agency ratings and allocates appropriate reserves, ranging from 1 to 100 percent, to account for the level of risk associated with an individual loan recipient.

ICDF investment guarantees are provided to companies from Taiwan that invest in allied countries. To reduce risk, the ICDF carries out a thorough screening and credit check in cooperation with the bank providing the loan to the enterprise. In any event, the ICDF also sets aside reserves for each company for which it provides guarantees. Reserves against loans and guarantees sufficiently reduce any potential risk that could impact the ICDF.

In terms of interest rate risk, the ICDF uses fixed US dollar interest rates when granting loans in order to avoid market rate fluctuations. The resulting stability in interest rate income benefits operations development.