

## FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors

International Cooperation and Development Fund

We have examined the balance sheet of International Cooperation and Development Fund as of June 30, 1998 and 1997, and the related statements of income, changes in equity and cash flows for the years then ended. Our examinations were made in accordance with auditing standards generally accepted in the Republic of China and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of International Cooperation and Development Fund as of June 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended, in conformity with as stated in note No.2 and accounting principles generally accepted in the Republic of China.



Clock & Co., CPAs

July 23, 1998

**International Cooperation and Development Fund**  
**Balance Sheet**  
**June 30, 1998 and 1997**  
**(Expressed in New Taiwan Dollars)**

<b>ASSETS</b>		1998		1997	
Description	Notes	Amount	%	Amount	%
<b>CURRENT ASSETS</b>		\$7,154,491,742	57.19	\$7,137,184,442	59.30
Cash and cash equivalents	2, 3	3,863,679,434	30.88	6,983,543,391	58.02
Short-term investments	2, 4	3,020,551,357	24.14	—	—
Other receivable	5	250,879,380	2.01	148,378,788	1.24
Other current assets		19,381,571	0.16	5,262,263	0.04
<b>LONG-TERM INVESTMENT AND LENDING</b>		5,339,708,495	42.69	4,881,990,958	40.56
Long-term lending	2, 6	5,220,108,495	41.73	4,791,990,958	39.81
Less: Allowance for uncollectible accounts		(167,000,000)	(1.33)	(40,000,000)	(0.33)
		5,053,108,495	40.40	4,751,990,958	39.48
Long-term investments	2, 7	286,600,000	2.29	130,000,000	1.08
<b>FIXED ASSETS</b>	2, 8	15,607,889	0.12	16,369,571	0.14
Information equipment		5,611,055	0.04	3,146,247	0.03
Communication & transportation equipment		1,415,550	0.01	1,570,546	0.01
Miscellaneous equipment		1,652,397	0.01	1,395,397	0.01
Lease improvement		12,966,620	0.11	12,966,620	0.11
		21,645,622	0.17	19,078,810	0.16
Less: Accumulated depreciation		(6,037,733)	(0.05)	(2,709,239)	(0.02)
<b>OTHER ASSETS</b>		272,637	—	210,080	—
Deposits to suppliers		249,917	—	176,000	—
Intangible assets		22,720	—	34,080	—
<b>TOTAL ASSETS</b>		<b>\$12,510,080,763</b>	<b>100.0</b>	<b>\$12,035,755,051</b>	<b>100.0</b>

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

**International Cooperation and Development Fund**  
**Balance Sheet**  
**June 30, 1998 and 1997**  
**(Expressed in New Taiwan Dollars)**

<b>LIABILITIES</b>		1998		1997	
Description	Notes	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>		\$ 640,506	0.01	\$ 7,140,501	0.06
Accrued expenses and other payable		640,506	0.01	7,140,501	0.06
<b>OTHER LIABILITIES</b>		30,135,740	0.24	1,068,000	0.01
Deposits received		188,000	—	1,068,000	0.01
Collects for others		29,947,740	0.24	—	—
<b>TOTAL LIABILITIES</b>		30,776,246	0.25	8,208,501	0.07
<b>FUNDS AND SURPLUS</b>					
Initial funds	9	11,614,338,576	92.84	11,614,338,576	96.50
Accumulated surplus		413,207,974	3.30	—	—
Surplus end of period		451,757,967	3.61	413,207,974	3.43
<b>TOTAL EQUITY</b>		12,479,304,517	99.75	12,027,546,550	99.93
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$12,510,080,763</b>	<b>100.0</b>	<b>\$12,035,755,051</b>	<b>100.0</b>

**International Cooperation and Development Fund**  
**Statement of Income**  
**for the Years Ended June 30, 1998 and 1997**  
**(Expressed in New Taiwan Dollars)**

Description	Notes	1998		1997	
		Amount	%	Amount	%
REVENUES		\$ 1,991,083,682	100.0	\$ 612,622,371	100.0
Interest from fund		485,097,733	24.36	434,928,064	70.99
Revenue from investment and lending		278,444,612	13.98	167,345,209	27.32
Revenue from entrusted projects	2	1,132,909,004	56.90	—	—
Miscellaneous revenue		—	—	3,281,214	0.54
Gain from foreign exchange	2	94,500,046	4.75	6,997,884	1.14
Other revenue		132,287	0.01	70,000	0.01
EXPENSES		1,539,325,715	77.31	199,414,397	32.55
Investment & lending expense		159,853,866	8.02	69,438,822	11.33
Entrusted projects expense	2	1,132,909,004	56.90	—	—
Technical cooperation expense		188,665,139	9.48	91,393,257	14.92
General & administrative expense		57,855,574	2.91	38,128,795	6.23
Miscellaneous expense		—	—	195,896	0.03
Loss from foreign exchange	2	—	—	48,966	0.01
Other expense		42,132	—	208,661	0.03
NET INCOME		\$ 451,757,967	22.69	\$ 413,207,974	67.45

**International Cooperation and Development Fund**  
**Statement of Changes in Equity**  
**for the Years Ended June 30, 1998 and 1997**  
**(Expressed in New Taiwan Dollars)**

Description	Initial Funds	Accumulated Surplus	Net Income	Total
Balance, July 1, 1996	\$ —	\$ —	\$ —	\$ —
Initial funds	11,614,338,576	—	—	11,614,338,576
Income for 1997	—	—	413,207,974	413,207,974
Balance, June 30, 1997	11,614,338,576	—	413,207,974	12,027,546,550
Transferred to accumulated surplus	—	413,207,974	(413,207,974)	0
Income for 1998	—	—	451,757,967	451,757,967
Balance, June 30, 1998	\$11,614,338,576	\$413,207,974	\$ 451,757,967	\$12,479,304,517

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

**International Cooperation and Development Fund**

**Statement of Cash Flows**

**for the Years Ended June 30, 1998 and 1997**

**(Expressed in New Taiwan Dollars)**

Description	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 451,757,967	\$ 413,207,974
Adjustments:		
Depreciation expense	3,560,550	643,042
Amortization expense	11,360	—
Bad debt expense	127,000,000	40,000,000
Loss on disposal of fixed assets	42,132	138,661
(Increase) in other receivable	(102,500,592)	(148,378,788)
(Increase) in other current assets	(14,119,308)	(5,262,263)
Increase (decrease) in accrued expense & other payable	(6,499,995)	7,140,501
Increase in collects for others	29,947,740	—
<b>Net Cash Provided by Operating Activities</b>	<b>489,199,854</b>	<b>307,489,127</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) in short-term investments	(3,020,551,357)	—
Receipts from sales of fixed assets	—	51,011
(Increase) in long-term investment & lending	(584,717,537)	(4,921,990,958)
(Increase) in fixed assets	(2,841,000)	(17,202,285)
(Increase) in deposits to suppliers	(73,917)	(176,000)
(Increase) in intangible assets	—	(34,080)
<b>Net Cash Used in Investing Activities</b>	<b>(3,608,183,811)</b>	<b>(4,939,352,312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from initial funds	—	11,614,338,576
Increase (decrease) in deposits from suppliers	(880,000)	1,068,000
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(880,000)</b>	<b>11,615,406,576</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,119,863,957)</b>	<b>6,983,543,391</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>6,983,543,391</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 3,863,679,434</b>	<b>\$ 6,983,543,391</b>

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

**International Cooperation and Development Fund**  
**Notes to Financial Statements**  
**June 30, 1998**

1. ORGANIZATION AND HISTORY

In accordance with the "Statute of International Cooperation and Development Foundation Establishment" promulgated by the President, the ICDF (International Cooperation and Development Fund) was formed and approved by Ministry of Foreign Affairs on June 29, 1996. ICDF was formed and registered as consortium juridical person and the succession of the net value from original 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 mankind fortune.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Fiscal Year

From July 1st to June 30th of following year.

(2) Accounting Basis

Accrual basis except fund aids of entrusted 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 stated at cost. If they belong to short-term notes the evaluations of which are based on cost or market price whichever is lower. In case of no market price available cost will govern. When they are exchanged before maturity or sold at maturity, their cost and selling profit and loss are calculated based on specific identification.

(5) Long-term Loans

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

(6) Long-term Investments

Long-term investments are booked based on the cost. If they belong to stock equity investment, they are evaluated at cost if the rate of equity holding is less than 20%; and if they are 20% or more of equity holding, they are evaluated based on equity method.

(7) Allowance for Uncollectible Accounts Long-term Lending

Allowance for uncollectible accounts are estimated based on the basis of collectibility 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

Appropriate pension fund monthly and charge as current year expenses and pay the pension payment from the appropriated fund. If appropriated fund is not sufficient, ICDF will make payment as current expense.

(10) Foreign Currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses, caused by different foreign exchange rates applied when foreign currency assets and liabilities are settled, are credited or charged to income in the year of actual conversion or settlement.

(11) Receipt and Disbursement of Entrusted Projects

ICDF receive fund aids of entrusted projects from government agencies or other agencies. When the funds are used, they are charged to Entrusted Project Expenditure accounts by project. At the end of each month the amount of accumulated fund expenditures are write off the Received in Advance-Entrusted Project Funds account and charged to Revenue from Entrusted Project account.

3. CASH AND CASH EQUIVALENTS

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
Petty cash	\$ 430,000	\$ 195,000
Demand deposits	149,698,016	407,409,324
Checking deposits	2,930,673	—
Time deposits	2,280,000,000	4,601,575,000
Short-term notes and cash equivalents	<u>1,430,620,745</u>	<u>1,974,364,067</u>
Total	<u>3,863,679,434</u>	<u>6,983,543,391</u>

4.	<u>SHORT-TERM INVESTMENTS</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>
	Commercial promissory notes	<u>\$3,020,551,357</u>	<u>—</u>
	Purchase promissory note (mature date over 90 days).		
5.	<u>OTHER RECEIVABLE</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>
	Interest receivable	\$250,879,380	\$143,197,141
	Other receivable	—	5,181,647
	Total	<u>\$250,879,380</u>	<u>\$148,378,786</u>
6.	<u>LONG-TERM LENDING</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>
	Loan to other countries	\$5,220,108,495	\$4,791,990,958
	Less: Allowance for uncollectable accounts	<u>(167,000,000)</u>	<u>(40,000,000)</u>
	Total	<u>\$5,053,108,495</u>	<u>\$4,751,990,958</u>

ICDF provides loan to other countries in accordance with Loan and Investment Dealing Procedure of Consortium Juridical Person International Cooperation and Development Fund approved by Executive Yuan. Up to June 30, 1998, actual loan is US\$191,302,027.28 and yearly interest rates were less than 3%.

7.	<u>LONG-TERM INVESTMENTS</u>	<u>June 30, 1998</u>		<u>June 30, 1997</u>	
		Investment	Shareholding	Investment	Shareholding
		Cost	Ratio	Cost	Ratio
	Stock equity investment				
	Overseas investment & development Corp.	\$130,000,000	14.44%	\$130,000,000	14.44%
	Foundation investment				
	European currency funds	<u>156,600,000</u>	—	<u>—</u>	—
		<u>\$286,600,000</u>		<u>\$130,000,000</u>	

In accordance with the letter Tai (85) Hsiao 2 Tze No. 00503 dated January 13 which was granted by Executive Yuan. ICDF invested Overseas Investment and Development Corp. 13,000,000 shares or equivalent to 14.4% share of stock.

The ICDF has entrusted European bank to administer special funds and engaged with Central and Eastern European Country by the way of counterpart funds for investment/financing program to private or official department. In accordance with contract condition, ICDF ought to provide US\$12,500,000, but US\$4,500,000 was invested up to June 30, 1998.

8.	<u>FIXED ASSETS</u>	<u>June 30, 1998</u>		
		Cost	Accum. Deprec'n.	Net
	Information equipment	\$5,611,055	\$1,966,231	\$3,644,824
	Communication & transportation equipment	1,415,550	766,893	648,657
	Miscellaneous equipment	1,652,397	833,089	819,308
	Lease improvement	<u>12,966,620</u>	<u>2,471,520</u>	<u>10,495,100</u>
	Total	<u>21,645,622</u>	<u>6,037,733</u>	<u>15,607,889</u>
		<u>June 30, 1997</u>		
		Cost	Accum. Deprec'n/	Net
	Information equipment	\$3,146,247	\$1,209,295	\$1,936,952
	Communication & transportation equipment	1,570,546	753,657	816,889
	Miscellaneous equipment	1,395,397	746,287	649,110
	Lease improvement	<u>12,966,620</u>	<u>—</u>	<u>12,966,620</u>
	Total	<u>19,078,810</u>	<u>2,709,239</u>	<u>16,369,571</u>

In 1997 the depreciation expense was booked for NT\$643,042, while the cost and accumulated depreciation of fixed assets from donation were NT\$5,274,690 and NT\$2,973,025 respectively.

9. FUNDS AND CURRENT SURPLUS AND DEFICIT  
The ICDF's initial funds was the succession of the net value of final account belong to Oversea Economic Cooperation and Development Fund, MOEA after it was abolished. The net value NT\$11,614,338,576 was the closing value of the date 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.

10. COMMITMENTS  
In accordance with Loan and Investment Dealing procedure of Consortium Juridical Person International Cooperation and Development Fund, ICDF has signed the loan agreement US\$364,913,722.98. But US\$213,678,491.44 was released and balance commitment still has US\$151,235,231.54.