

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 6-K
March 06, 2014

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2014

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: .)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing Company Ltd.

Date: March 06, 2014

By /s/ Lora Ho

Lora Ho

Senior Vice President & Chief Financial Officer

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Consolidated Financial Statements for the

Years Ended December 31, 2013 and 2012 and

Independent Auditors Report

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2013, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the Statement of Financial Accounting Standards No. 7, Consolidated Financial Statements. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

MORRIS CHANG

Chairman

February 18, 2014

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2013 and 2012 and January 1, 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2013 and 2012 and January 1, 2012, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified opinion.

February 18, 2014

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is

any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

Member of Deloitte Touche Tohmatsu Limited

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 242,695,447	19	\$ 143,410,588	15	\$ 143,472,277	18
Financial assets at fair value through profit or loss (Note 7)	90,353		39,554		15,360	
Available-for-sale financial assets (Note 8)	760,793		2,410,635		3,308,770	
Held-to-maturity financial assets (Note 9)	1,795,949		5,056,973	1	3,825,680	1
Notes and accounts receivable, net (Note 11)	71,649,926	6	57,777,586	6	45,830,288	6
Receivables from related parties (Note 37)	291,708		353,811		185,764	
Other receivables from related parties (Note 37)	221,576		185,550		122,292	
Inventories (Notes 5 and 12)	37,494,893	3	37,830,498	4	24,840,582	3
Other financial assets (Note 38)	501,785		473,833		617,142	
Other current assets (Note 17)	2,984,224		2,786,408		2,174,014	
Total current assets	358,486,654	28	250,325,436	26	224,392,169	28
NONCURRENT ASSETS						
Available-for-sale financial assets (Note 8)	58,721,959	5	38,751,245	4		
Held-to-maturity financial assets (Note 9)					5,243,167	1
Financial assets carried at cost (Note 13)	2,145,591		3,605,077		4,315,005	1
Investments accounted for using equity method (Notes 5 and 14)	28,316,260	2	23,360,918	3	24,886,931	3
Property, plant and equipment (Notes 5 and 15)	792,665,913	63	617,562,188	64	490,422,153	63
Intangible assets (Notes 5 and 16)	11,490,383	1	10,959,569	1	10,861,563	1
Deferred income tax assets (Notes 5 and 31)	7,239,609	1	13,128,219	2	13,604,218	2
Refundable deposits (Note 37)	2,519,031		2,426,712		4,518,863	1
Other noncurrent assets (Note 17)	1,469,577		1,235,144		1,306,746	
Total noncurrent assets	904,568,323	72	711,029,072	74	555,158,646	72
TOTAL	\$ 1,263,054,977	100	\$ 961,354,508	100	\$ 779,550,815	100
	December 31, 2013		December 31, 2012		January 1, 2012	

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LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES						
Short-term loans (Note 18)	\$ 15,645,000	1	\$ 34,714,929	4	\$ 25,926,528	3
Financial liabilities at fair value through profit or loss (Note 7)	33,750		15,625		13,742	
Hedging derivative financial liabilities (Note 10)					232	
Accounts payable	14,670,260	1	14,490,429	2	10,530,487	1
Payables to related parties (Note 37)	1,688,456		748,613		1,328,521	
Salary and bonus payable	8,330,956	1	7,535,296	1	6,148,499	1
Accrued profit sharing to employees and bonus to directors and supervisors (Note 24)	12,738,801	1	11,186,591	1	9,081,293	1
Payables to contractors and equipment suppliers	89,810,160	7	44,831,798	5	35,540,526	5
Income tax payable (Note 31)	22,563,286	2	15,635,594	2	10,656,124	1
Provisions (Notes 5 and 19)	7,603,781	1	6,038,003		5,068,263	1
Accrued expenses and other current liabilities (Notes 15 and 22)	16,693,484	1	13,148,944	1	13,218,235	2
Current portion of bonds payable and long-term bank loans (Notes 20 and 21)			128,125		4,562,500	1
Total current liabilities	189,777,934	15	148,473,947	16	122,074,950	16
NONCURRENT LIABILITIES						
Hedging derivative financial liabilities (Note 10)	5,481,616					
Bonds payable (Note 20)	210,767,625	17	80,000,000	8	18,000,000	3
Long-term bank loans (Note 21)	40,000		1,359,375		1,587,500	
Provisions (Note 19)	10,452		4,891		2,889	
Other long-term payables (Note 22)	36,000		54,000			
Obligations under finance leases (Note 15)	776,230		748,115		870,993	
Accrued pension cost (Notes 5 and 23)	7,589,926	1	6,921,234	1	6,241,024	1
Guarantee deposits	151,660		203,890		443,983	
Others	648,449		495,150		400,831	
Total noncurrent liabilities	225,501,958	18	89,786,655	9	27,547,220	4
Total liabilities	415,279,892	33	238,260,602	25	149,622,170	20
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital stock (Note 24)	259,286,171	21	259,244,357	27	259,162,226	33
Capital surplus (Note 24)	55,858,626	4	55,675,340	6	55,471,662	7
Retained earnings (Note 24)						
Appropriated as legal capital reserve	132,436,003	11	115,820,123	12	102,399,995	13
Appropriated as special capital reserve	2,785,741		7,606,224	1	6,433,874	1
Unappropriated earnings	382,971,408	30	284,985,121	29	211,630,458	27

	518,193,152	41	408,411,468	42	320,464,327	41
Others (Note 24)	14,170,306	1	(2,780,485)		(7,606,219)	(1)
Equity attributable to shareholders of the parent	847,508,255	67	720,550,680	75	627,491,996	80
NONCONTROLLING INTERESTS (Note 24)	266,830		2,543,226		2,436,649	
Total equity	847,775,085	67	723,093,906	75	629,928,645	80
TOTAL	\$ 1,263,054,977	100	\$ 961,354,508	100	\$ 779,550,815	100

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 26, 37 and 42)	\$ 597,024,197	100	\$ 506,745,234	100
COST OF REVENUE (Notes 12, 33 and 37)	316,057,820	53	262,583,098	52
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	280,966,377	47	244,162,136	48
UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	(20,870)		(25,029)	
GROSS PROFIT	280,945,507	47	244,137,107	48
OPERATING EXPENSES (Notes 5, 33 and 37)				
Research and development	48,118,165	8	40,383,195	8
General and administrative	18,928,544	3	17,631,694	3
Marketing	4,516,525	1	4,495,986	1
Total operating expenses	71,563,234	12	62,510,875	12
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 27 and 33)	47,090		(449,364)	
INCOME FROM OPERATIONS (Note 42)	209,429,363	35	181,176,868	36
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates and joint venture (Notes 14 and 42)	3,972,031	1	2,073,729	
Other income (Note 28)	2,342,123		1,716,093	
Foreign exchange gain, net	285,460		582,498	
Finance costs (Notes 10 and 29)	(2,646,776)		(1,020,422)	
Other gains and losses (Notes 30 and 37)	2,104,921		(2,852,310)	
Total non-operating income and expenses	6,057,759	1	499,588	
INCOME BEFORE INCOME TAX	215,487,122	36	181,676,456	36
INCOME TAX EXPENSE (Notes 31 and 42)	27,468,185	5	15,552,654	3
NET INCOME	188,018,937	31	166,123,802	33

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 14, 23, 24 and 31)				
Exchange differences arising on translation of foreign operations	\$ 3,668,509	1	\$ (4,322,697)	(1)
Changes in fair value of available-for-sale financial assets	13,290,385	2	9,534,269	2
Cash flow hedges			232	
Share of other comprehensive income (loss) of associates and joint venture	(59,740)		53,748	
Actuarial loss from defined benefit plans	(662,074)		(685,978)	
Income tax benefit (expense) related to components of other comprehensive income	115,168		(326,942)	
Other comprehensive income for the year, net of income tax	16,352,248	3	4,252,632	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 204,371,185	34	\$ 170,376,434	34
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 188,146,790	31	\$ 166,318,286	33
Noncontrolling interests	(127,853)		(194,484)	
	\$ 188,018,937	31	\$ 166,123,802	33
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 204,505,782	34	\$ 170,521,543	34
Noncontrolling interests	(134,597)		(145,109)	
	\$ 204,371,185	34	\$ 170,376,434	34

	2013		2012	
	Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent	
EARNINGS PER SHARE (NT\$, Note 32)				
Basic earnings per share	\$ 7.26		\$ 6.42	
Diluted earnings per share	\$ 7.26		\$ 6.41	

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

Equity Attributable to Shareholders of the Parent					Others			
Retained Earnings					Unrealized			
					Gain/Loss			
					from			
					Available-			
					Cash			
Capital	Legal	Special	Unappropriated	Total	Foreign	for-sale	Flow	Total
Surplus	Capital	Capital	Earnings		Currency	Financial	Hedges	
	Reserve	Reserve			Translation	Assets	Reserve	
					Reserve			
\$ 55,471,662	\$ 102,399,995	\$ 6,433,874	\$ 211,630,458	\$ 320,464,327	\$ (6,433,364)	\$ (1,172,762)	\$ (93)	\$ (7,606,219)
	13,420,128		(13,420,128)					
		1,172,350	(1,172,350)					
			(77,748,668)	(77,748,668)				
	13,420,128	1,172,350	(92,341,146)	(77,748,668)				
			166,318,286	166,318,286				
			(622,477)	(622,477)	(4,320,442)	9,146,083	93	4,825,734
			165,695,809	165,695,809	(4,320,442)	9,146,083	93	4,825,734

160,357

2,588

40,733

55,675,340	115,820,123	7,606,224	284,985,121	408,411,468	(10,753,806)	7,973,321	(2,780,485)
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16,615,880	(16,615,880)
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(4,820,483)	4,820,483
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(77,773,307)	(77,773,307)
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16,615,880	(4,820,483)	(89,568,704)	(77,773,307)
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188,146,790	188,146,790
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(591,799)	(591,799)	3,613,444	13,337,460	(113)	16,950,791
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187,554,991	187,554,991	3,613,444	13,337,460	(113)	16,950,791
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82,756

38,084

62,446

\$ 55,858,626 \$ 132,436,003 \$ 2,785,741 \$ 382,971,408 \$ 518,193,152 \$ (7,140,362) \$ 21,310,781 \$(113) \$ 14,170,306

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 215,487,122	\$ 181,676,456
Adjustments for:		
Depreciation expense	153,979,847	129,168,514
Amortization expense	2,202,022	2,180,775
Stock option compensation cost of subsidiary	5,312	6,219
Finance costs	2,646,776	1,020,422
Share of profits of associates and joint venture	(3,972,031)	(2,073,729)
Interest income	(1,835,980)	(1,645,036)
Gain on disposal of property, plant and equipment and intangible assets, net	(48,848)	(103)
Impairment loss on property, plant and equipment		444,505
Impairment loss of financial assets	352,214	4,231,602
Gain on disposal of available-for-sale financial assets, net	(1,267,086)	(399,598)
Gain on disposal of financial assets carried at cost, net	(44,721)	(141,491)
Loss (gain) on disposal of investments in associates	733	(4,977)
Gain on deconsolidation of subsidiary	(293,578)	
Unrealized gross profit on sales to associates	20,870	25,029
Loss (gain) on foreign exchange, net	317,547	(3,219,144)
Dividend income	(506,143)	(71,057)
Income from receipt of equity securities in settlement of trade receivables	(9,977)	(886)
Loss on hedging instruments	5,602,779	
Gain on arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(5,071,118)	
Changes in operating assets and liabilities:		
Derivative financial instruments	(32,189)	(22,311)
Notes and accounts receivable, net	(14,131,066)	(11,947,191)
Receivables from related parties	(204,278)	(168,047)
Other receivables from related parties	50,589	(63,258)
Inventories	122,472	(12,989,916)
Other financial assets	18,578	53,182
Other current assets	(312,251)	648,051
Accounts payable	346,401	3,656,358
Payables to related parties	850,094	(605,182)
Salary and bonus payable	883,925	1,386,797
Accrued profit sharing to employees and bonus to directors and supervisors	1,552,210	2,105,298
Accrued expenses and other current liabilities	3,531,017	2,051,785
Provisions	1,595,810	977,901
Accrued pension cost	9,554	(5,769)
Cash generated from operations	361,846,606	296,275,199
Income taxes paid	(14,463,069)	(11,312,039)

Net cash generated by operating activities	347,383,537	284,963,160
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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	\$ (21,303)	\$ (31,525,876)
Held-to-maturity financial assets	(1,795,949)	
Financial assets carried at cost	(27,165)	(56,512)
Property, plant and equipment	(287,594,773)	(246,137,361)
Intangible assets	(2,750,361)	(1,782,299)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	2,418,578	964,367
Held-to-maturity financial assets	5,145,850	2,711,440
Financial assets carried at cost	67,986	353,656
Property, plant and equipment	173,554	157,484
Other assets		26,688
Costs from entering into hedging transactions	(143,982)	
Interest received	1,790,725	1,719,026
Other dividends received	506,143	71,057
Dividends received from associates	2,141,881	2,088,472
Refundable deposits paid	(98,888)	(517,162)
Refundable deposits refunded	113,399	2,609,313
Net cash outflow from deconsolidation of subsidiary (Note 34)	(979,910)	
Net cash used in investing activities	(281,054,215)	(269,317,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds	130,844,821	62,000,000
Repayment of bonds		(4,500,000)
Increase (decrease) in short-term loans	(19,636,240)	9,747,094
Increase in long-term bank loans	690,000	50,000
Repayment of long-term bank loans	(62,500)	(212,500)
Repayment of other long-term payables	(853,788)	(2,367,866)
Interest paid	(1,330,886)	(736,607)
Guarantee deposits received	41,519	15,671
Guarantee deposits refunded	(113,087)	(255,764)
Decrease in obligations under finance leases	(27,796)	(108,863)
Proceeds from exercise of employee stock options	124,570	242,488
Cash dividends	(77,773,307)	(77,748,668)
Increase in noncontrolling interests	202,619	286,200
Net cash generated by (used in) financing activities	32,105,925	(13,588,815)
	849,612	(2,118,327)

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	99,284,859	(61,689)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	143,410,588	143,472,277
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 242,695,447	\$ 143,410,588

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

On September 5, 1994, TSMC's shares were listed on the Taiwan Stock Exchange (TWSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities a