

GLOBAL GREEN GROWTH INSTITUTE

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors
Global Green Growth Institute:

We have audited the accompanying statements of financial position of the Global Green Growth Institute ("K-GGGI") as of December 31, 2012 and 2011, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the International Standards on Auditing. These 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of K-GGGI as of December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The accompanying financial statements as of and for the years ended December 31, 2012 and 2011 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the financial statements expressed in Korean won have been translated into dollars on the basis set forth in note 2 to the financial statements.

Without qualifying our opinion, we draw attention to the following:

As described in note 14 to the the financial statements, the rights, obligations, undertakings, existing regional offices, assets and liabilities of the K-GGGI devolved to the International Organization GGGI ("IO-GGGI") without consideration in accordance with "Agreement on the Establishment of the Global Green Growth Institute."

KPMG Samjong Accounting Corp.

Seoul, Korea
April 24, 2013

This report is effective as of April 24, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Global Green Growth Institute
Statements of Financial Position

As of December 31, 2012 and 2011

(In Korean won and USD)

	Note	2012	2011	2012	2011
Assets					
Cash and cash equivalents	4,5 ₩	261,550,000	13,225,942,457	\$ 244,188	12,348,000
Short-term financial instruments	5	-	750,000,000	-	700,215
Accounts receivable	5	-	1,650,000	-	1,540
Accrued income		-	420,117,635	-	392,230
Advance payments		-	49,685,000	-	46,387
Prepaid expenses		-	90,929,658	-	84,894
Prepaid value added tax		-	1,343,543	-	1,254
Total current assets		<u>261,550,000</u>	<u>14,539,668,293</u>	<u>244,188</u>	<u>13,574,520</u>
Property and equipment, net	6	-	1,570,462,227	-	1,466,214
Intangible assets	7	-	13,765,662	-	12,852
Leasehold deposits	5	238,450,000	827,885,410	222,622	772,930
Total non-current assets		<u>238,450,000</u>	<u>2,412,113,299</u>	<u>222,622</u>	<u>2,251,996</u>
Total assets		<u>500,000,000</u>	<u>16,951,781,592</u>	<u>466,810</u>	<u>15,826,516</u>
Liabilities					
Accounts payable	5	-	6,659,129,979	-	6,217,095
Withholdings		-	72,064,271	-	67,280
Total current liabilities		<u>-</u>	<u>6,731,194,250</u>	<u>-</u>	<u>6,284,375</u>
Employee benefits	8	-	179,788,512	-	167,854
Total non-current liabilities		<u>-</u>	<u>179,788,512</u>	<u>-</u>	<u>167,854</u>
Total liabilities		<u>-</u>	<u>6,910,982,762</u>	<u>-</u>	<u>6,452,229</u>
Equity					
Basic properties	1	500,000,000	500,000,000	466,810	466,810
Retained earnings		-	9,540,798,830	-	8,907,477
Total equity		<u>500,000,000</u>	<u>10,040,798,830</u>	<u>466,810</u>	<u>9,374,287</u>
Total liabilities and equity	₩	<u>500,000,000</u>	<u>16,951,781,592</u>	\$ <u>466,810</u>	<u>15,826,516</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

(In Korean won and USD)

	Note	2012	2011	2012	2011
Revenue					
Contributions	9	₩ 26,851,086,023	20,818,200,000 \$	25,068,701	19,436,280
Other revenue	11	2,311,696,601	420,117,635	2,158,245	392,230
		<u>29,162,782,624</u>	<u>21,238,317,635</u>	<u>27,226,946</u>	<u>19,828,510</u>
Expenses					
Research and operation expenses	12,13	24,627,438,904	14,868,889,933	22,992,661	13,881,888
Other expenses	13	2,311,696,601	420,117,635	2,158,245	392,230
		<u>26,939,135,505</u>	<u>15,289,007,568</u>	<u>25,150,906</u>	<u>14,274,118</u>
Operating income		<u>2,223,647,119</u>	<u>5,949,310,067</u>	<u>2,076,040</u>	<u>5,554,392</u>
Finance income	5	203,228,660	549,899,511	189,738	513,397
Finance costs	5	(944,111,774)	(147,113,793)	(881,441)	(137,348)
Donations from devolvement		(11,055,048,168)	-	(10,321,210)	-
Other non-operating income (loss)		31,485,333	54,476	29,396	51
Profit for the year		<u>(9,540,798,830)</u>	<u>6,352,150,261</u>	<u>(8,907,477)</u>	<u>5,930,492</u>
Other comprehensive income	8	-	(242,295)	-	(226)
Total comprehensive income (loss) for the year		₩ <u>(9,540,798,830)</u>	<u>6,351,907,966</u> \$	<u>(8,907,477)</u>	<u>5,930,266</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

<i>(In Korean won)</i>	Basic properties	Retained earnings	Total equity
Balance at January 1, 2011	₩ 500,000,000	3,188,890,864	3,688,890,864
Profit for the year	-	6,352,150,261	6,352,150,261
Defined benefit plan actuarial loss	-	(242,295)	(242,295)
Total comprehensive income	-	6,351,907,966	6,351,907,966
Balance at December 31, 2011	₩ <u>500,000,000</u>	<u>9,540,798,830</u>	<u>10,040,798,830</u>
Balance at January 1, 2012	₩ 500,000,000	9,540,798,830	10,040,798,830
Loss for the year	-	(9,540,798,830)	(9,540,798,830)
Total comprehensive loss	-	(9,540,798,830)	(9,540,798,830)
Balance at December 31, 2012	₩ <u>500,000,000</u>	<u>-</u>	<u>500,000,000</u>

<i>(In USD)</i>	Basic properties	Retained earnings	Total equity
Balance at January 1, 2011	\$ 466,810	2,977,211	3,444,021
Profit for the year	-	5,930,492	5,930,492
Defined benefit plan actuarial loss	-	(226)	(226)
Total comprehensive income	-	5,930,266	5,930,266
Balance at December 31, 2011	\$ <u>466,810</u>	<u>8,907,477</u>	<u>9,374,287</u>
Balance at January 1, 2012	\$ 466,810	8,907,477	9,374,287
Loss for the year	-	(8,907,477)	(8,907,477)
Total comprehensive loss	-	(8,907,477)	(8,907,477)
Balance at December 31, 2012	\$ <u>466,810</u>	<u>-</u>	<u>466,810</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Cash Flow

For the years ended December 31, 2012 and 2011

(In Korean won and USD)

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities				
Profit (loss) for the year	₩ (9,540,798,830)	6,352,150,261	\$ (8,907,477)	5,930,492
Adjustments for:				
Retirement benefit costs	265,639,836	152,620,681	248,007	142,490
Losses (gains) on foreign currency translation, net	604,082,892	(119,988,124)	563,984	(112,023)
Rental expenses	40,523,885	30,351,336	37,834	28,337
Depreciation	1,102,915,808	1,032,589,769	1,029,704	964,046
Amortization	30,990,155	3,318,713	28,933	3,098
Interest income	(135,917,537)	(131,266,431)	(126,895)	(122,553)
Donations from devolvement	11,055,048,168	-	10,321,211	-
Others	957,600	-	892	-
Changes in assets and liabilities:				
Accounts receivable	(7,130,120)	43,824,390	(6,657)	40,915
Accrued income	(312,942,038)	(420,117,635)	(292,169)	(392,230)
Advance payments	(71,149,597)	(49,685,000)	(66,427)	(46,387)
Prepaid expenses	29,302,704	(38,426,132)	27,358	(35,875)
Prepaid income	2,443,876,017	-	2,281,650	-
Prepaid value added tax	2,122,473	(1,343,543)	1,982	(1,254)
Accounts payable	(2,925,765,917)	882,697,824	(2,731,553)	824,104
Withholdings	(8,995,821)	(22,036,419)	(8,399)	(20,574)
Payment of retirement and severance benefits	(20,964,849)	(5,503,561)	(19,573)	(5,138)
Interest received	95,448,019	101,009,158	89,112	94,304
Net cash provided by operating activities	<u>2,647,242,848</u>	<u>7,810,195,287</u>	<u>2,471,517</u>	<u>7,291,752</u>
Cash flows from investing activities				
Decrease in leasehold deposits	80,000,000	1,411,280	74,690	1,318
Proceeds from sale of property and equipment	600,000	-	560	-
Increase in short-term financial instruments	-	(750,000,000)	-	(700,215)
Increases in leasehold deposits	(56,730,955)	(355,346,751)	(52,965)	(331,759)
Acquisition of property and equipment	(139,685,378)	(1,000,307,005)	(130,413)	(933,906)
Acquisition of intangible assets	(139,158,180)	(13,345,200)	(129,921)	(12,459)
Payment for devolvement of assets and liabilities	(14,746,663,121)	-	(13,767,774)	-
Net cash used in investing activities	<u>(15,001,637,634)</u>	<u>(2,117,587,676)</u>	<u>(14,005,823)</u>	<u>(1,977,021)</u>
Cash flows from financing activities	-	-	-	-
Effects of exchange rate changes on cash and cash equivalents	<u>(609,997,671)</u>	<u>133,279,989</u>	<u>(569,506)</u>	<u>124,432</u>
Net increase (decrease) in cash and cash equivalents	<u>(12,964,392,457)</u>	<u>5,825,887,600</u>	<u>(12,103,812)</u>	<u>5,439,163</u>
Cash and cash equivalents at beginning of year	<u>13,225,942,457</u>	<u>7,400,054,857</u>	<u>12,348,000</u>	<u>6,908,837</u>
Cash and cash equivalents at end of year	<u>₩ 261,550,000</u>	<u>13,225,942,457</u>	<u>\$ 244,188</u>	<u>12,348,000</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

1. Reporting Entity

Founded in May 14, 2010 with the approval of the Ministry of Foreign Affairs and Trade of the Republic of Korea, the Global Green Growth institute (“K-GGGI”) aims to assist developing countries in the design and implementation of green growth strategies, and to disseminate green growth globally.

K-GGGI was officially launched on June 16, 2010, as a non-profit foundation with ₩500 million contributed by the Korea International Cooperation Agency (KOICA).

As described in note 14 to the financial statements, the rights, obligations, undertaking, existing regional offices, assets and liabilities of K-GGGI devolved to the IO-GGGI without consideration in accordance with the Agreement on the Establishment of the Global Green Growth Institute on December 29, 2012.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(c) Functional and presentation currencies

These financial statements are presented in Korean won, which is K-GGGI’s functional currency of the primary economic environment in which K-GGGI operates.

(d) Use of estimates and judgments

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 8 – Employee benefits

Note 10 – Income tax

Note 11 – Other revenue

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies

The significant accounting policies applied by K-GGGI in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by K-GGGI in management of its short-term commitments.

(b) Non-derivative financial assets

GGGI classifies the non-derivative financial assets which are fixed or determinable payments that are not quoted in an active market as loans and receivables. K-GGGI recognizes financial assets in the statement of financial position when K-GGGI becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, transaction costs that are directly attributable to the asset's acquisition or issuance.

K-GGGI derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by K-GGGI is recognized as a separate asset or liability.

If K-GGGI retains substantially all the risks and rewards of ownership of the transferred financial assets, K-GGGI continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when K-GGGI currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(d) Impairment of financial assets, continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. K-GGGI can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(e) Property and equipment

Property and equipment are measured initially at cost and after initial recognition. The cost of property and equipment includes expenditure arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which they are located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to K-GGGI and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current period are as follows:

	<u>Useful lives (years)</u>
Other property and equipment	3~5
Leasehold improvements	2

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(f) Intangible assets

Cost of intangible assets includes expenditure that is directly attributable to the acquisition of the assets. Intangible assets are amortized on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is assumed to be zero.

The estimated useful lives for the current period are as follows:

	<u>Useful lives (years)</u>
Software	3

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. Changes are accounted for as changes in accounting estimates.

(g) Non-derivative financial liabilities

K-GGGI recognizes financial liabilities in the statement of financial position when K-GGGI becomes a party to the contractual provisions of the financial liability.

At the date of initial recognition, financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

K-GGGI derecognizes a financial liability from the statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(h) Employee benefits

The K-GGGI's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the K-GGGI's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The K-GGGI recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, K-GGGI recognizes the past service cost immediately.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(i) Foreign currency translation

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period are recognized in profit or loss in the period in which they arise.

(j) Revenue

K-GGGI receives contributions and donations from the Ministry of Foreign Affairs and Trade of the Republic of Korea, Korean International Cooperation Agency, foreign government and other domestic and foreign organizations to raise funds for conducting non-profit business. Contributions and donations are recorded as revenue when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. However, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognized that are recoverable.

(k) Finance income and finance costs

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(l) Reserve fund for essential business

In Korea, non-profit organizations are not subject to income taxes when they operate their business. For tax purposes, however, K-GGGI is required to appropriate from retained earnings an amount equal to interest income recognized on a cash basis. The appropriation of retained earnings is reversed when the amount is used for the specified business purposes designated by laws and regulations.

(m) Financial risk management

K-GGGI has exposure to the currency risk from foreign currency transactions and it is equipped with policies and procedures to control financial risk.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(n) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which K-GGGI expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

4. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2012 and 2011 are summarized as follows:

(In Korean won and USD)

		<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Checking accounts	₩	261,550,000	13,225,942,457	\$	244,188	12,348,000

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

5. Financial Instruments

- (a) The carrying amount and the fair value of financial instruments as of December 31, 2012 are summarized as follows:

(In Korean won and USD)

		<u>Carrying amount</u>	<u>Fair value</u>		<u>Carrying amount(*)</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	₩	261,550,000	261,550,000	\$	244,188	244,188
Leasehold deposits (*)		<u>238,450,000</u>	<u>238,450,000</u>		<u>222,622</u>	<u>222,622</u>
Total financial assets	₩	<u>500,000,000</u>	<u>500,000,000</u>	\$	<u>466,810</u>	<u>466,810</u>

(*)Interest rate used to discount estimated cash flows to calculate initial carrying amount of leasehold deposits are 5.87%.

- (b) The carrying amount and the fair value of financial instruments as of December 31, 2011 are summarized as follows:

(In Korean won and USD)

		<u>Carrying amount(*)</u>	<u>Fair value</u>		<u>Carrying amount(*)</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	₩	13,225,942,457	13,225,942,457	\$	12,348,000	12,348,000
Short-term financial instruments		750,000,000	750,000,000		700,215	700,215
Accounts receivable		1,650,000	1,650,000		1,540	1,540
Accrued income		420,117,635	420,117,635		392,230	392,230
Leasehold deposits (*)		<u>827,885,410</u>	<u>827,885,410</u>		<u>772,930</u>	<u>772,930</u>
Total financial assets	₩	<u>15,225,595,502</u>	<u>15,225,595,502</u>	\$	<u>14,214,915</u>	<u>14,214,915</u>
Financial liabilities:						
Accounts payable	₩	<u>6,659,129,979</u>	<u>6,659,129,979</u>		<u>6,217,095</u>	<u>6,217,095</u>

(*) Interest rate used to discount estimated cash flows to calculate initial carrying amount of leasehold deposits are 5.87% in 2012 and 6.00% in 2011, respectively.

- (c) Finance income

Details of finance income for the years ended December 31, 2012 and 2011 are summarized as follows:

(In Korean won and USD)

		<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Interest income	₩	135,917,537	131,266,431	\$	126,895	122,553
Gains on foreign currency translation		17,139,718	163,954,111		16,002	153,071
Gains on foreign currency transaction		<u>50,171,405</u>	<u>254,678,969</u>		<u>46,841</u>	<u>237,773</u>
Total financial assets	₩	<u>203,228,660</u>	<u>549,899,511</u>	\$	<u>189,738</u>	<u>513,397</u>

(*) Interest income, recognized as a result of a change in the present value of financial assets is ₩40,470 thousand (\$37,784) and ₩30,257 thousand (\$28,249), respectively, for the years ended December 31, 2012 and 2011.

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For the years ended December 31, 2012 and 2011

5. Financial Instruments, Continued

(d) Finance costs

Details of finance costs for the years ended December 31, 2012 and 2011 are summarized as follows:

<i>(In Korean won and USD)</i>		2012	2011	2012	2011
Losses on foreign currency translation	₩	621,222,610	43,965,987	\$ 579,986	41,048
Losses on foreign currency transaction		<u>322,889,164</u>	<u>103,147,806</u>	<u>301,455</u>	<u>96,300</u>
Total financial assets	₩	<u>944,111,774</u>	<u>147,113,793</u>	<u>\$ 881,441</u>	<u>137,348</u>

6. Property and Equipment

(a) Changes in property and equipment for the year ended December 31, 2012 are as follows:

<i>(In Korean won)</i>	January 1, 2012	Acquisition	Disposals	Depreciation	Decreased by develvement	December 31, 2012
Office equipment	₩ 645,594,401	78,156,011	(1,557,600)	(221,972,554)	(500,220,258)	-
Leasehold improvements	924,867,826	1,243,000	-	(876,380,704)	(49,730,122)	-
Vehicle	-	<u>60,286,367</u>	-	<u>(4,562,550)</u>	<u>(55,723,817)</u>	-
	₩ <u>1,570,462,227</u>	<u>139,685,378</u>	<u>(1,557,600)</u>	<u>(1,102,915,808)</u>	<u>(605,674,197)</u>	-

<i>(In USD)</i>	January 1, 2012	Acquisition	Disposals	Depreciation	Decreased by develvement	December 31, 2012
Office equipment	\$ 602,739	72,968	(1,454)	(207,238)	(467,015)	-
Leasehold improvements	863,475	1,160	-	(818,206)	(46,429)	-
Vehicle	-	<u>56,285</u>	-	<u>(4,260)</u>	<u>(52,025)</u>	-
	\$ <u>1,466,214</u>	<u>130,413</u>	<u>(1,454)</u>	<u>(1,029,704)</u>	<u>(565,469)</u>	-

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For the years ended December 31, 2012 and 2011

6. Property and Equipment, Continued

(b) Changes in property and equipment for the year ended December 31, 2011 are as follows:

<i>(In Korean won)</i>		January 1, 2011	Acquisition	Depreciation	December 31, 2011
Office equipment	₩	286,038,116	508,549,155	(148,992,870)	645,594,401
Leasehold improvements		<u>1,316,706,875</u>	<u>491,757,850</u>	<u>(883,596,899)</u>	<u>924,867,826</u>
	₩	<u><u>1,602,744,991</u></u>	<u><u>1,000,307,005</u></u>	<u><u>(1,032,589,769)</u></u>	<u><u>1,570,462,227</u></u>

<i>(In USD)</i>		January 1, 2011	Acquisition	Depreciation	December 31, 2011
Office equipment	\$	267,051	474,791	(139,103)	602,739
Leasehold improvements		<u>1,229,303</u>	<u>459,115</u>	<u>(824,943)</u>	<u>863,475</u>
	\$	<u><u>1,496,354</u></u>	<u><u>933,906</u></u>	<u><u>(964,046)</u></u>	<u><u>1,466,214</u></u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

7. Intangible Assets

(a) Changes in intangible assets for the year ended December 31, 2012 are as follows:

<i>(In Korean won and USD)</i>	Software		Software	
Balance at January 1, 2012	₩	13,765,662	\$	12,852
Acquisition		139,158,180		129,921
Amortization		(30,990,155)		(28,933)
Decrease by devolvement		(121,933,687)		(113,840)
Balance as of December 31, 2012	₩	-	\$	-

(b) Changes in intangible assets for the year ended December 31, 2011 are as follows:

<i>(In Korean won and USD)</i>	Software		Software	
Balance at January 1, 2011	₩	3,739,175	\$	3,491
Acquisition		13,345,200		12,459
Amortization		(3,318,713)		(3,098)
Balance as of December 31, 2011	₩	13,765,662	\$	12,852

8. Employee Benefits

K-GGGI operates defined benefit plans.

(a) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2012	2011
Discount rate (*)	3.58%	4.39%
Rate of future salary increases	3.33%	3.27%

(*) For the purpose of calculating present value of the defined benefit obligations, K-GGGI uses the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds consistent with the currency and estimated term of the defined benefit obligations.

(b) Details of defined benefit liabilities as of December 31, 2012 and 2011 are summarized as follows:

<i>(In Korean won and USD)</i>	2012	2011	2012	2011
Defined benefit obligations				
Present value of defined benefit obligations	₩	-	\$	167,854

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For the years ended December 31, 2012 and 2011

8. Employee Benefits, Continued

(c) Changes in defined benefit obligations for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Beginning balance	₩ 179,788,512	32,429,097	\$ 167,854	30,276
Current service costs	261,326,297	150,142,381	243,979	140,176
Interest costs	4,313,539	2,478,300	4,028	2,314
Benefit paid	(20,964,849)	(5,503,561)	(19,573)	(5,138)
Actuarial loss	-	242,295	-	226
Decrease by devolvement	<u>(424,463,499)</u>	<u>-</u>	<u>(396,288)</u>	<u>-</u>
Ending balance	₩ <u>-</u>	<u>179,788,512</u>	\$ <u>-</u>	<u>167,854</u>

(d) The components of retirement benefit costs for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current service costs	₩ 261,326,297	150,142,381	\$ 243,979	140,176
Interest costs	<u>4,313,539</u>	<u>2,478,300</u>	<u>4,028</u>	<u>2,314</u>
Total	₩ <u>265,639,836</u>	<u>152,620,681</u>	\$ <u>248,007</u>	<u>142,490</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

9. Contributions for Non-profit Business

- (a) The amounts of contributions K-GGGI received for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Contributions for non-profit business	₩ 9,889,596,250	6,000,000,000	\$ 9,233,121	5,601,718
Contributions for operation	<u>16,961,489,773</u>	<u>14,818,200,000</u>	<u>15,835,580</u>	<u>13,834,562</u>
	<u>₩ 26,851,086,023</u>	<u>20,818,200,000</u>	<u>\$ 25,068,701</u>	<u>19,436,280</u>

- (b) Details of contributions for non-profit business for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
The Government of Australia	₩ 5,801,877,531	-	\$ 5,416,747	-
Danfoss	224,540,000	-	209,635	-
The Government of Denmark	5,648,700,000	6,311,000,000	5,273,737	5,892,074
The Government of Japan	-	1,128,300,000	-	1,053,403
The Ministry of Foreign Affairs and Trade of The Republic of Korea	9,942,000,000	11,800,000,000	9,282,046	11,016,712
POSCO	588,600,000	-	549,529	-
Swiss Agency for Development and Cooperation SDC	468,912,242	-	437,786	-
The United Arab Emirates Ministry of Foreign Affairs	4,105,500,000	1,578,900,000	3,832,975	1,474,091
VESTAS Wind System A/S	<u>70,956,250</u>	<u>-</u>	<u>66,246</u>	<u>-</u>
	<u>₩ 26,851,086,023</u>	<u>20,818,200,000</u>	<u>\$ 25,068,701</u>	<u>19,436,280</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

9. Contributions for Non-profit Business, Continued

- i. The government of Australia represented by the Australian Agency for International Development (“AusAID”) will contribute a total amount of up to AUD 10,000,000 in compliance with Grant Agreement number 62023 in 2012 to support the operations until no later than March 31, 2014 unless otherwise mutually determined by the parties in writing. AusAID has paid the first tranche amounts to ₩5,801,878 thousand (AUD 5,416,747) in 2012.
- ii. In 2011, Danfoss has signed an agreement with K-GGGI, it will make an annual financial contribution of \$200,000 for 3 years and the contributions of Danfoss are to be core funding to K-GGGI's activities as defined by its Board. The first contribution amounts to ₩224,540 thousand (\$209,635) was disbursed in 2012.
- iii. In 2011, the government of Denmark has signed an agreement to provide DKK 90,000,000 grant to K-GGGI during the period from 2011 to 2013. The first installment amounts to ₩6,311,000 thousand (\$5,892,074) was disbursed in 2011 and the second disbursement of ₩5,648,700 thousand (\$5,273,737) was disbursed in 2012.
- iv. The Embassy of Japan has paid ₩1,128,300,000 (\$1,053,403) to K-GGGI for the execution of K-GGGI's country projects pursuant to the Note Verbale No. E-20, dated February 21, 2011 between K-GGGI and the Embassy of Japan in Korea.
- v. The Ministry of Foreign Affairs and Trade (“MOFAT”) of the Republic of Korea has provided ₩9,942,000 thousand (\$9,282,046) in 2012 and ₩11,800,000 thousand (\$11,016,712) in 2011 for the operation of the K-GGGI in compliance with Memorandum of Understanding on Cooperation between K-GGGI and MOFAT of the Republic of Korea.
- vi. In 2011, K-GGGI and POSCO have signed a Memorandum of Understanding on Green Growth Cooperation to formalize a framework of cooperation and to facilitate collaboration between K-GGGI and POSCO to promote programs, research and joint activities in areas of green growth. POSCO shall make an annual financial contribution of \$500,000 for 3 years from signing date (November 28, 2011) of MOU to contribute core funding to K-GGGI's activities as defined by its Board. The first tranche amounts to ₩588,600 thousand (\$549,529) was disbursed in 2012.
- vii. In 2012, K-GGGI and Swiss Agency for Development and Cooperation (“SDC”) have signed the agreement to formalize a framework of cooperation. SDC shall provide a grant of \$875,000 to K-GGGI during the period from October 1, 2012 to June 30, 2014. The first tranche amounts to ₩468,912 thousand (\$437,786) was disbursed in 2012.
- viii. In 2011, K-GGGI and the United Arab Emirates Ministry of Foreign Affairs have signed a Memorandum of Understanding for Cooperation which affirms the financial support of \$5,000,000 each year to K-GGGI during the period from 2011 to 2013. The United Arab Emirates Ministry of Foreign Affairs has granted ₩4,105,500 thousand (\$3,832,975) in 2012 and ₩1,578,900 thousand (\$1,474,091) in 2011 to K-GGGI.
- ix. Vestas Wind System A/S will make a financial contribution of \$125,000 to K-GGGI to support the work of its Sustainable Energy Trade Agreement research project in the agreement signed on 27 October, 2011. Vestas Wind System A/S has disbursed ₩70,956 thousand (\$66,246) in 2012 in compliance with the agreement between K-GGGI and Vestas Wind Systems A/S.

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For the years ended December 31, 2012 and 2011

10. Income Tax

The provision for income taxes calculated using the nominal tax rates differs from the actual provision for the years ended December 31, 2012 and 2011 for the following reasons:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit (loss) before income tax	₩ (9,540,798,830)	6,352,150,261	\$ (8,907,477)	5,930,492
Addition (deduction) of income from non-profit business (*)	9,676,716,367	(6,220,883,830)	9,034,372	(5,807,939)
Income from profit making business before income taxes	135,917,537	131,266,431	126,895	122,553
Normal tax rate	11%	11%	11.0%	11.0%
Expense for income taxes at normal tax rate	14,950,929	14,439,307	13,958	13,481
Adjustment:				
Tax effects of permanent differences	<u>(14,950,929)</u>	<u>(14,439,307)</u>	<u>(13,958)</u>	<u>(13,481)</u>
Income tax expense	₩ <u>-</u>	-	\$ <u>-</u>	-

(*) Income from non-profit business is not subject to income taxes under Korean Tax Law.

11. Other Revenue

- (a) K-GGGI and European Bank for Reconstruction and Development have signed a contract related to establishing a green growth plan in Kazakhstan. This service is expected to be provided from July 2011 to April 2013. Total contract fee amounts to ₩2,241,150 thousand (EUR 1,500,000), and K-GGGI recognized ₩905,185 thousand (\$ 845,098) as revenue in 2012.
- (b) For Ethiopia and three other countries, K-GGGI signed a contract with the Federal Minister for the Environment and Nature Conservation and Nuclear Safety located in Germany regarding the development of national green development plans. The corresponding contractual services are expected to be provided from August 2011 to June 2013. Total contract fee amounts to ₩7,451,823 thousand (EUR 4,987,500), and K-GGGI recognized ₩552,473 thousand (\$515,800) as revenue in 2012.
- (c) In 2012, K-GGGI has signed a service agreement related to 'Accountable Grant Arrangement for Climate Resilient Economy Strategy' with The Department for International Development (DFID) located in the United Kingdom. This service is expected to be provided from January 2012 to March 2013, total contract fee amounts to ₩1,554,390 thousand (GBP 900,000), and K-GGGI recognized ₩854,038 thousand (\$ 545,270) as revenue in 2012.
- (d) In 2012, K-GGGI has signed a service agreement related to 'Indonesia Country Program' with the Norwegian Ministry of Foreign Affairs (the Ministry) located in Norway. The planned project period is from October 2012 to December 2014 and this service is expected to be provided from December 2012 to December 2014. Total contract fee amounts to ₩ 6,825,232 thousand (NOK 35,600,000), and no revenue was recognized in 2012.

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For the years ended December 31, 2012 and 2011

12. Research and Operating Expenses

Details of research and operation expense for the years ended December 31, 2012 and 2011 are as follows:

(In Korean won and USD)

	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Salaries	₩ 4,387,508,134	2,774,599,753	\$	4,096,264	2,590,421
Retirement benefit costs	265,639,836	155,820,681		248,007	145,477
Other employee benefit	56,752,076	141,647,062		52,985	132,244
Travel expenses	1,617,231,673	1,029,032,516		1,509,879	960,725
Rental expenses	1,987,828,864	1,228,526,383		1,855,876	1,146,976
Outsourcing cost	11,939,010,282	7,099,043,011		11,146,494	6,627,807
Public expenses and taxes	15,226,556	2,797,703		14,216	2,612
Commissions and fees	413,516,083	543,370,297		386,067	507,301
Depreciation	1,102,915,808	1,032,589,769		1,029,704	964,046
Amortization of intangible assets	30,990,155	3,318,713		28,933	3,098
Training expenses	37,338,085	701,880		34,860	655
Communication expenses	173,462,849	141,617,360		161,948	132,217
Repairs and maintenance expenses	13,620,000	20,719,380		12,716	19,344
Vehicles maintenance expenses	14,401,515	29,145,746		13,446	27,211
Supplies expenses	86,314,787	68,611,081		80,585	64,057
Insurance fee	265,132,944	11,986,661		247,533	11,191
Advertising and publication expense	212,208,485	172,326,524		198,122	160,887
Membership fee	1,526,930	94,946,075		1,426	88,644
Conference expenses	2,006,813,842	318,089,338		1,873,600	296,975
Total	₩ 24,627,438,904	14,868,889,933	\$	22,992,661	13,881,888

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For the years ended December 31, 2012 and 2011

13. Classification of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>		2012	2011	2012	2011
Employee benefits	₩	5,275,771,025	3,139,286,382	\$ 4,925,563	2,930,899
Depreciation & amortization		1,133,905,963	1,035,908,482	1,058,637	967,145
Advertising and publication expense		212,208,485	172,326,524	198,122	160,887
Travel expenses		1,900,966,584	1,113,716,112	1,774,780	1,039,787
Outsourcing cost, etc		13,783,286,148	7,048,147,392	12,868,347	6,580,289
Rental expenses		1,990,344,426	1,228,526,383	1,858,225	1,146,976
Conference expenses		2,018,086,612	318,089,338	1,884,125	296,974
Other		624,566,262	1,233,006,955	583,107	1,151,161
Total	₩	26,939,135,505	15,289,007,568	\$ 25,150,906	14,274,118

14. Devolvement

On December 29, 2012, the rights, obligations, undertaking, existing regional offices, assets and liabilities of K-GGGI devolved to the IO-GGGI without consideration in accordance with "Agreement on the Establishment of the Global Green Growth Institute" which ratified by the National Assembly of the Republic of Korea on November 22, 2012. However, K-GGGI is required to retain basic properties until K-GGGI is dissolved in accordance with the Articles of Corporation. Therefore, the basic properties amounting to ₩500 million (\$466,810) will be devolved to IO-GGGI upon K-GGGI's dissolution.

Devolvement of assets and liabilities as of December 29, 2012 is as follows:

<i>(In Korean won and USD)</i>		Amount	Amount
Assets			
Current assets	₩	16,437,022,341	\$ 15,325,895
Non-current assets		1,274,026,867	1,187,903
Total		17,711,049,208	16,513,798
Liabilities			
Current liabilities		6,231,537,541	5,810,291
Non-current liabilities		424,463,499	395,771
Total	₩	6,656,001,040	\$ 6,206,062