Global Green Growth Institute
Council of the GGGI
Written Procedure
8 May 2014

Decision on the FY2013 audited financial statements

The Council,

Recalling Articles 2 and 4 of the Agreement on the Establishment of the Global Green Growth Institute, regarding the objectives and activities of the organization;

Acting pursuant to Article 8(5)(d) of the Agreement on the Establishment of the Global Green Growth Institute, regarding the approval by the Council of audited financial statements; and,

Taking note of the recommendation of the Audit & Finance Sub-Committee of the Council that the Council approve the FY2013 audited financial statements;

Decides:

1. To approve the FY2013 audited financial statements, as attached in annex 1; and,

2. To take note of the management letter submitted by the external auditing firm, as attached in annex 2.

GLOBAL GREEN GROWTH INSTITUTE

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

Contents

SAMJONG

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Independent Auditors' Report

The Board of Directors
Global Green Growth Institute:

We have audited the accompanying statements of financial position of Global Green Growth Institute ("GGGI") as of December 31, 2013 and 2012, and the related statements of comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012. 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 International Standards on Auditing. 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 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 GGGI as of December 31, 2013 and 2012 and its financial performance and its cash flows for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012 in accordance with International Financial Reporting Standards.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 26, 2014

This report is effective as of March 26, 2014, 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, 2013 and 2012

(In USD)	***Note***		**2013**	**2012**
Assets				
Cash and cash equivalents	*4,5*	$	14,822,853	13,665,673
Short-term financial assets	*5*		439,923	700,215
Accounts receivable	*5*		67,000	8,197
Accrued income	*5*		85,600	684,399
Other current assets	*9*		316,165	138,420
Total current assets			15,731,541	15,196,904
Property and equipment, net	*6*		451,315	564,731
Intangible assets	*7*		135,621	113,691
Long-term financial assets	*5*		117,401	510,075
Total non-current assets			704,337	1,188,497
Total assets			16,435,878	16,385,401
Liabilities				
Accounts payable	*5*		3,914,991	3,311,017
Deferred income			4,559,086	2,278,672
Other current liabilities	*9*		114,408	58,898
Total current liabilities			8,588,485	5,648,587
Employee benefits	*8*		-	36,929
Total non-current liabilities			-	36,929
Total liabilities			8,588,485	5,685,516
Equity				
Retained earnings			7,847,393	10,699,885
Total equity			7,847,393	10,699,885
Total liabilities and equity		$	16,435,878	16,385,401

See accompanying notes to the financial statements.

Global Green Growth Institute

Statements of Comprehensive Income (Loss)

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

(In USD)	***Note***		**2013**	**2012**
Revenue				
Core funds	*10*	$	25,078,995	416,394
Earmarked funds	*10*		6,467,087	-
Retained earnings from K-GGGI	*10,14*		-	10,307,737
Total revenue			31,546,082	10,724,131
Expenses				
Research and operation expenses	*11*		32,503,730	18,861
Operating income (loss)			(957,648)	10,705,270
Finance income	*5,12*		268,298	2,597
Finance costs	*5,12*		(255,618)	(7,982)
Other gains (loss)	*13*		(1,907,524)	-
Profit (loss) for the year			(2,852,492)	10,699,885
Other comprehensive income (loss)			-	-
Total comprehensive income (loss) for the year		$	(2,852,492)	10,699,885

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Changes in Equity

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

(In USD)		Retained earnings	Total equity
Balance at October 18, 2012	$	-	-
Profit for the period		10,699,885	10,699,885
Total comprehensive income		10,699,885	10,699,885
Balance at December 31, 2012	$	10,699,885	10,699,885
Balance at January 1, 2013	$	10,699,885	10,699,885
Loss for the year		(2,852,492)	(2,852,492)
Total comprehensive loss		(2,852,492)	(2,852,492)
Balance at December 31, 2013	$	7,847,393	7,847,393

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Cash Flows

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

(In USD)		2013	2012
Cash flows from operating activities			
Profit (loss) for the period	$	(2,852,492)	10,699,885
Adjustments for:			
Rental expenses		25,172	-
Depreciation		294,026	-
Amortization		64,408	-
Finance expenses		82,931	-
Finance income		(70,739)	(5,385)
Contributions for non-profit business resulting from devolvement		-	(10,307,736)
Changes in assets and liabilities:			
Accounts receivables		(58,803)	-
Accrued income		598,799	-
Other current assets		(202,916)	-
Accounts payable		603,974	(525,773)
Deferred income		2,280,414	-
Other current liabilities		18,581	-
Interest received		37,277	-
Net cash provided by (used in) operating activities		820,632	(139,009)
Cash flows from investing activities			
Decrease in short-term financial instruments		700,215	-
Decrease in leasehold deposits		209,716	-
Acquisition of property and equipment		(180,610)	-
Acquisition of intangible assets		(86,338)	-
Increase in leasehold deposits		(226,958)	-
Net cash flows from devolvement		-	13,749,802
Net cash provided by investing activities		416,025	13,749,802
Cash flows from financing activities		-	-
Effects of exchange rate changes on cash and cash equivalents		(79,477)	54,880
Net increase in cash and cash equivalents		1,157,180	13,665,673
Cash and cash equivalents at beginning		13,665,673	-
Cash and cash equivalents at end of year	$	14,822,853	13,665,673

See accompanying notes to the financial statements.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

1. Reporting Entity

GGGI (international organization) was founded on October 18, 2012 based on "Agreement on the Establishment of the Global Green Growth Institute", dedicated to the promotion of economic growth and development while reducing carbon emissions, increasing sustainability, and strengthening climate resilience (i.e. green growth). The Korean National Assembly ratified "Agreement on the Establishment of the Global Green Growth Institute" on November 22, 2012 and has entrusted an instrument of ratification on November 29, 2012. GGGI, which is headquartered in Seoul, Korea, has satellite offices in Abu Dhabi, Copenhagen and London, and conducts in-country operations in several countries such as Ethiopia, Indonesia, Cambodia, Mexico, Peru and others.

As described in note 13 to the financial statements, the rights, obligations, undertaking, existing regional offices, assets and liabilities of GGGI (Korean Organization) devolved to GGGI (International Organization) without consideration per "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

(c) Functional and Presentation currencies

These financial statements are presented in US dollar, which is GGGI's functional currency of the primary economic environment in which GGGI operates.

(d) Use of Estimates and Judgements

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 note.

Note 6 – Property and Equipment

GGGI reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Management's assumptions could affect the determination of estimated useful lives.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

3. Significant Accounting Policies

The significant accounting policies applied by 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 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. GGGI recognizes financial assets in the statement of financial position when 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.

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 GGGI is recognized as a separate asset or liability.

If GGGI retains substantially all the risks and rewards of ownership of the transferred financial assets, 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 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.

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. 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 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:

	Useful lives (years)
Other property and equipment	3~5
Leasehold improvements	2
Vehicle	5

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.

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:

	Useful lives (years)
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) Impairment of non-financial assets

GGGI are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

GGGI estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then GGGI estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Non-derivative financial liabilities

GGGI recognizes financial liabilities in the statement of financial position when 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.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

3. Significant Accounting Policies, Continued

(h) Non-derivative financial liabilities, continued

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).

(i) Employee benefits

For defined contribution plans, when an employee has rendered service to GGGI during a period, GGGI recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, GGGI recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(j) 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.

(k) Revenue recognition

(i) Core funds (Unearmarked funds)
Core funds are funds by GGGI with no consideration provided directly in return to the donor. These resources are available for general use by GGGI.

With regards to core funds, GGGI recognizes an asset (cash or receivable) and revenue at the earlier of cash received or formal acknowledgement/agreement of the contribution to be provided (unless the agreement specifies a later contribution start date).

(ii) Earmarked funds
These funds are subject to a specific purpose declared by the donor(s), or with their authority. The funds can only be used for purposes for which they are intended as per the donor agreements.

For earmarked funds, GGGI recognizes an asset (cash or receivable) and liability (deferred income) at the earlier of cash received or formal acknowledgement/agreement of the contribution to be provided (unless the agreement specifies a later contribution start date). The liability is reduced and revenue is recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the surveys of work performed. However, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

3. Significant Accounting Policies, Continued

(l) 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.

(m) Financial risk management

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

(n) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for GGGI for annual periods beginning after January 1, 2014, and GGGI has not early adopted them. Management believes the impact of the amendments on the financial statements is not significant.

IAS 32, *'Financial Instruments: Presentation'*

The amendments clarified the application guidance related to 'offsetting a financial asset and a financial liability'. The amendment is mandatorily effective for periods beginning on or after January 1, 2014 with earlier application permitted.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

4. Cash and Cash Equivalents

(a) Cash and cash equivalents as of December 31, 2013 and 2012 are summarized as follows:

(In USD)		2013	2012
Checking accounts	$	14,822,853	13,665,673

(b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2013 and 2012 are as follows:

(In USD, except for other foreign currency)

	2013			2012		
Foreign currency	**Foreign currency amount**		**Translation into USD**	**Foreign currency amount**		**Translation into USD**
AED	559,778	$	152,402	423,730	$	115,363
DKK	103,205		19,092	20,895,190		3,703,234
EUR	1,358,948		1,875,278	154,444		204,214
KRW	521,515,927		494,187	261,550,000		244,253
USD	10,589,900		10,589,900	9,398,609		9,398,609
GBP	114,652		189,112	-		-
NOK	9,139,053		1,502,882	-		-
		$	14,822,853		$	13,665,673

(c) Currency exchange rates as of December 31, 2013 and 2012 are as follows:

(In USD)		**December 31, 2013**	**December 31, 2012**
Currency		**Ending exchange rate**	**Ending exchange rate**
AED	$	0.272	0.272
DKK		0.185	0.177
EUR		1.380	1.322
KRW		0.001	0.001
USD		1.000	1.000
GBP		1.649	-
NOK		0.164	-

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

5. Financial Instruments

(a) Categories of financial assets as of December 31, 2013 and 2012 are summarized as follows:

		2013		2012	
(In USD)		**Cash and cash equivalents**	**Loans and receivables**	**Cash and cash equivalents**	**Loans and receivables**
Current financial assets					
Cash and cash equivalents	$	14,822,853	-	13,665,673	-
Short-term financial instruments		-	-	-	700,215
Leasehold deposits		-	439,923	-	-
Accounts receivable		-	67,000	-	8,197
Accrued income		-	85,600	-	684,399
Sub-total	$	14,822,853	592,523	13,665,673	1,392,811
Non-current financial assets					
Leasehold deposits	$	-	117,401	-	510,075
	$	14,822,853	709,924	13,665,673	1,902,886

(b) Categories of financial liabilities as of December 31, 2013 and 2012 are summarized as follows:

		2013	2012
(In USD)		**Financial liabilities measured at amortized cost**	**Financial liabilities measured at amortized cost**
Current financial liabilities			
Accounts payable	$	3,914,991	3,311,017

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

5. Financial Instruments, Continued

(c) Finance income by categories

(i) Details of finance income by categories for the year ended December 31, 2013 are summarized as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Interest income	$	37,278	25,899	-	63,177
Gain on foreign currency transactions		-	197,559	-	197,559
Gain on foreign currency translations		90	-	7,472	7,562
	$	37,368	223,458	7,472	268,298

(ii) Details of finance income by categories for the period from October 18, 2012 (inception date) through December 31, 2012 are as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Interest income	$	-	-	-	-
Gain on foreign currency transactions		-	-	-	-
Gain on foreign currency translations		-	-	2,597	2,597
	$	-	-	2,597	2,597

(iii) Details of finance costs by categories for the year ended December 31, 2013 are summarized as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Loss on foreign currency transactions	$	-	172,687	-	172,687
Loss on foreign currency translations		79,567	3,364	-	82,931
	$	79,567	176,051	-	255,618

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

5. Financial Instruments, Continued

(c) Finance income by categories, continued

(iv) Details of finance costs by categories for the period from October 18, 2012 (inception date) through December 31, 2012 are as follows:

(In USD)		Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Total
Loss on foreign currency translations	$	4,625	3,357	-	7,982

(d) The carrying amount and the fair value of financial instruments as of December 31, 2013 and 2012 are summarized as follows:

		2013		2012	
(In USD)		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	$	14,822,853	14,822,853	13,665,673	13,665,673
Short-term financial instruments		-	-	700,215	700,215
Leasehold deposits		557,324	557,324	510,075	510,075
Accounts receivable		67,000	67,000	8,197	8,197
Accrued income		85,600	85,600	684,399	684,399
Total financial assets	$	15,532,777	15,532,777	15,568,559	15,568,559
Financial liabilities					
Accounts payable	$	3,914,991	3,914,991	3,311,017	3,311,017

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

6. Property and Equipment

(a) Details of property and equipment as of December 31, 2013 and 2012 are as follows:

(i) December 31, 2013

(In USD)		Acquisition cost	Accumulated depreciation	Carrying amount
Office equipment	$	973,359	(591,013)	382,346
Leasehold improvements		1,740,751	(1,740,655)	96
Vehicle		84,846	(15,973)	68,873
	$	2,798,956	(2,347,641)	451,315

(ii) December 31, 2012

(In USD)		Acquisition cost	Accumulated depreciation	Carrying amount
Office equipment	$	821,384	(354,978)	466,406
Leasehold improvements		1,740,751	(1,694,383)	46,368
Vehicle		56,211	(4,254)	51,957
	$	2,618,346	(2,053,615)	564,731

(b) Changes in property and equipment for the year ended December 31, 2013 are summarized as follows:

(In USD)		January 1, 2013	Acquisition	Disposals	Depreciation	December 31, 2013
Office equipment	$	466,406	151,975	-	(236,035)	382,346
Leasehold improvements		46,368	-	-	(46,272)	96
Vehicle		51,957	28,635	-	(11,719)	68,873
	$	564,731	180,610	-	(294,026)	451,315

(c) There is no change in property and equipment for the period from October 18, 2012 (inception date) through December 31, 2012.

7. Intangible Assets

(a) Details of intangible assets as of December 31, 2013 and 2012 are as follows:

(i) December 31, 2013

(In USD)		Acquisition cost	Accumulated amortization	Carrying amount
Software	$	232,169	(96,548)	135,621

(ii) December 31, 2012

(In USD)		Acquisition cost	Accumulated amortization	Carrying amount
Software	$	145,831	(32,140)	113,691

(b) Changes in intangible assets for the year ended December 31, 2013 are summarized as follows:

(In USD)		January 1, 2013	Acquisition	Disposals	Amortization	December 31, 2013
Software	$	113,691	86,338	-	(64,408)	135,621

(c) There is no change in intangible assets for the period from October 18, 2012 (inception date) through December 31, 2012.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

8. Employee Benefits

(a) Defined contribution plans

GGGI operates a defined contribution plan for employees. Though GGGI pays fixed contributions into a separate fund, employee benefits relating to employee service rendered is based on the contributions to the funds and the investment earnings on it. Plan assets are managed by a trustee within a fund separate from GGGI's assets.

The expenses related to post-employment benefit under defined contribution plans for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2013 are as follows:

(In USD)		**2013**	**2012**
Expense related to post-employment benefit under defined contribution plan	$	276,826	-

(b) GGGI operated a defined benefit plan for the period from October 18, 2012 (inception date) through December 31, 2012.

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

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

(*) For the purpose of calculating present value of the defined benefit obligations, 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.

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

(In USD)		**2012**
Defined benefit obligations:		
Present value of defined benefit obligations	$	36,929

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

9. Other Current Assets and Other Current Liabilities

(a) Other current assets as of December 31, 2013 and 2012 are summarized as follows:

(In USD)		2013	2012
Advance payments	$	64,488	66,918
Prepaid expenses		251,677	59,043
Others		-	12,459
	$	316,165	138,420

(b) Other current liabilities as of December 31, 2013 and 2012 are summarized as follows:

(In USD)		2013	2012
Withholdings	$	86,380	58,898
Others		28,028	-
	$	114,408	58,898

10. Revenue

(a) Revenue for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012 are as follows:

(In USD)		2013	2012 (Note1)
Core funds	$	25,078,995	416,394
Earmarked funds		6,467,087	-
Retained earnings from K-GGGI(*)		-	10,307,737
	$	31,546,082	10,724,131

(Note1) The revenue accounts have been reclassified as core funds and earmarked funds to appropriately reflect the characteristics of the resources as described in Note 3(k). The prior year's accounts have been reclassified to be consistent with current year's presentation.

(*) Consequent to the comprehensive acquisition of K-GGGI as described in Note 14, the assets and liabilities of K-GGGI were transferred to GGGI on December 29, 2012.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

10. Revenue, Continued

(b) Details of revenue for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012 are as follows:

(In USD)		2013	2012
Core funds(*1)			
The Government of Australia	$	4,873,995	-
The Government of Denmark		5,205,000	-
The Ministry of Foreign Affairs and Trade of The Republic of Korea		10,000,000	416,394
The State of Qatar		5,000,000	-
Sub-total		25,078,995	416,394
Earmarked funds(*2)			
Swiss Agency for Development and Cooperation (SDC)		321,569	-
The United Arab Emirates Ministry of Foreign Affairs		758,169	-
The Norwegian Ministry of Foreign Affairs -'Country Program for Ethiopia 2013~2015'		829,564	-
The Norwegian Ministry of Foreign Affairs - 'Indonesia Country Program 2012-2014'		1,517,435	-
European Bank for Reconstruction and Development		300,964	-
The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)		1,566,337	-
The Department for International Development (DFID -UK)		482,830	-
World Resources Institute - 'New Climate Economy Project'		214,620	-
Climate and Development Knowledge Network (CDKN)		385,038	-
European Climate Fund (ECF)		90,561	-
Sub-total		6,467,087	-
Others			
Retained earnings from K-GGGI		-	10,307,737
	$	31,546,082	10,724,131

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

10. Revenue, Continued

(*1) Core funds

(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 final tranche in the amounts of $4,873,995 (AUD 5,000,000) in 2013 and $5,416,747 (AUD 5,000,000) in 2012.

(ii) In 2011, the government of Denmark signed an agreement to provide a DKK 90,000,000 grant to GGGI during the period from 2011 to 2013. The first installment amounted to $5,892,074 in 2011, the second disbursement amounted to $5,273,737 in 2012 and the final disbursement in the amount of $5,205,000 (DKK 30,000,000) was disbursed in 2013.

(iii) The Ministry of Foreign Affairs of the Republic of Korea provided $5,000,000 based on the Memorandum of Understanding on Cooperation between GGGI and MOFA of the Republic of Korea and $5,000,
(iv) 000 based on the Establishment Agreement in 2013. The Ministry of Foreign Affairs of the Republic of Korea has contributed $9,282,046 in 2012 based on the Memorandum of Understanding on Cooperation between GGGI and MOFA of the Republic of Korea.

(iv) In 2012, GGGI and the State of Qatar signed the Memorandum of Understanding on Green Growth Cooperation which affirms the financial support of $10,000,000 during the period from 2012 to 2014. The State of Qatar granted $5,000,000 to GGGI in 2013.

(*2) Earmarked funds

(i) In 2012, GGGI and Swiss Agency for Development and Cooperation ('SDC') signed an agreement to formalize a framework of cooperation. SDC granted $875,000 to GGGI during the period from October 1, 2012 to June 30, 2014. GGGI recognized $321,569 as revenue from the earmarked fund in 2013.

(ii) The Norwegian Ministry of Foreign Affairs will contribute a total amount of up to NOK 45,828,000 related to 'Green Growth Institute Country Program for Ethiopia 2013~2015'. The first tranche amounting to $2,235,163 (NOK 13,000,000) was disbursed in 2013 and GGGI recognized $829,564 as revenue from the earmarked fund in 2013.

(iii) In 2012, GGGI signed a service agreement related to 'Indonesia Country Program' with the Norwegian Ministry of Foreign Affairs 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 NOK 35,600,000, and the second tranche amounting to $879,922 was disbursed in 2013 and GGGI recognized $1,517,435 as revenue from the earmarked fund in 2013.

(iv) 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 EUR 1,500,000 and GGGI recognized $300,964 as revenue from the earmarked fund in 2013.

10. Revenue, Continued

(*2) Earmarked funds, continued

(v) For Ethiopia, Peru, Thailand and Jordan, 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 December 2014. Total contract fee amounts to EUR 4,987,500 and GGGI recognized $1,566,337 as revenue from the earmarked fund in 2013.

(vi) In 2012, GGGI 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 GBP 900,000 and GGGI recognized $482,830 as revenue from the earmarked fund in 2013.

(vii) On behalf of the New Climate Economy ('NCE') project, World Resources Institute ('WRI') offered a sub-agreement between the GGGI and WRI on October 2, 2013 to support the New Climate Economy project as it tests the positive impact of low carbon investment. The total amount of this sub-agreement is $1,399,005 and GGGI recognized $214,620 as revenue from the earmarked fund in 2013.

(viii) Climate & Development Knowledge Network and GGGI has signed a service agreement related to 'support for the Green Growth Best Practice Initiative –AAGL-0014' which amounts to EUR 424,000 for the period November 2012 to February 2014 and GGGI recognized $385,038 as revenue from the earmarked fund in 2013.

(ix) The European Climate Foundation has approved a grant to GGGI in the amount of EUR 255,000 subject to the terms and conditions of the grant agreement from January 1, 2013 to May 31, 2013 and GGGI recognized $90,561 as revenue from the earmarked fund in 2013.

For the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012

11. Research and Operating Expenses

Details of research and operating expenses for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012 are as follows:

(In USD)		2013	2012
Salaries and wages	$	6,901,796	-
Allowances (home, education, relocation and others)		2,589,898	-
Welfares		941,074	-
Outsourcing cost		13,378,092	12,152
Travel expense		3,018,226	-
Rental expenses		1,673,124	-
Transportation		22,433	66
Commissions		584,736	3,889
Professional fees		248,939	-
Depreciation		294,026	-
Amortization		64,408	-
Training expenses		108,395	-
Communication expenses		316,866	390
Repairs and maintenance expenses		28,090	309
Publication expenses		258,214	-
Conference expenses		1,462,600	-
Employee benefits		-	2,055
Others		612,813	-
	$	32,503,730	18,861

12. Finance Income and Finance Costs

(a) Details of finance income for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012 are summarized as follows:

(In USD)		2013	2012
Interest income	$	63,177	-
Gain on foreign currency transactions		197,559	-
Gain on foreign currency translations		7,562	2,597
	$	268,298	2,597

(b) Details of finance costs for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012 are summarized as follows:

(In USD)		2013	2012
Loss on foreign currency transactions	$	172,687	-
Loss on foreign currency translations		82,931	7,982
	$	255,618	7,982

13. Other Gains (Loss)

Details of other gains (loss) for the year ended December 31, 2013 and for the period from October 18, 2012 (inception date) through December 31, 2012 are summarized as follows:

(In USD)		2013	2012
Other gains			
Miscellaneous income	$	130,821	-
Other loss			
EACP refund to KOICA(*)		(1,995,207)	-
Miscellaneous expenses		(43,138)	-
		(2,038,345)	-
	$	(1,907,524)	-

(*) The amount is the refund to KOICA based on the agreement between KOICA and GGGI to refund the remaining balance of contribution received from KOICA that has not been expensed during the year.

14. Comprehensive Acquisition

The rights, obligations, undertaking, existing regional offices, assets and liabilities of K-GGGI (Korean Organization) devolved to GGGI (International Organization) without consideration in accordance with "Agreement on the Establishment of the Global Green Growth Institute" on December 29, 2012. However, K-GGGI (Korean Organization) is required to retain basic properties until K-GGGI (Korean Organization) is dissolved in accordance with the Articles of Incorporation. Therefore, the basic properties amounting to ₩500 million will be devolved to GGGI (International Organization) upon K-GGGI (Korean Organization)'s dissolution.

Transferred assets and liabilities to GGGI (International Organization) at fair value as of December 29, 2012 is as follows:

(In USD)		Amount
Assets		
Current assets	$	15,325,895
Non-current assets		1,187,903
	$	16,513,798
Liabilities		
Current liabilities	$	5,810,291
Non-current liabilities		395,771
	$	6,206,062

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March 25, 2014

Audit and Finance Sub-Committee
Global Green Growth Institute
19F Jeongdong Bldg, 15-5 Jeongdong-gu, Seoul

Ladies and Gentlemen:

We have completed our audit of the financial statements of Global Green Growth Institute ("GGGI"), as of and for the year ended December 31, 2013, in accordance with International Standards of Auditing (ISAs). As part of our audit, we considered GGGI's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of GGGI's internal control. Our assessment was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

We are presenting you with our management letter providing our observations and findings on the following items as indicated in the audit engagement letter dated December 3, 2013 and identified the following areas as part of GGGI's internal control to test for compliance with internal regulations and policies:

- As part of our audit of the financial statements, we evaluate the design and implementation of controls over journal entries as well as obtain an understanding of the activities for the preparation of financial statements. For the purpose of providing this management letter regarding the assessment of the internal control systems and their adequacy as a basis for the preparation of the accounts and to establish whether proper accounting records have been maintained, we have included the following areas to provide our observations and findings:

  - Bank reconciliation including petty cash

  - Closing activities

- Assessment of the administrative guidelines prepared and provided by GGGI and internal procedures are adhered to

  - Individual consultants

  - Disbursements – Travel and Outsourcing expenses

- Assessment of the adequacy of the systems of control over procurement of supplies, equipment and services, hereunder verify whether guidelines regarding procurement are followed under the condition that GGGI shall provide proper procurement documents to KPMG. This assessment will be performed by testing related documents based on sample basis.

- Procurement

- Follow-up on previous audit and review recommendations

  Not applicable

- Management comments/response to audit findings and recommendations

Our observation and findings of the above areas are as follows:

Bank Reconciliation

GGGI's Finance Policies and Procedures Manual ("Finance Manual") received final approval in December 2013 and is effective January 1, 2014. Therefore, to test the procedures related to bank reconciliation for the year ended December 31, 2013 we used the version drafted in November 2013 which was provided to us during our audit. Based on the draft version, we selected the monthly reconciliation performed in November and December to test compliance with the relevant regulation.

Observation

During our review of monthly bank reconciliation, we found no exceptions in the bank balances in local currencies compared to those balances presented in the bank confirmations. However, we noted that the reconciliation is only performed outside the system and is not reconciled back to the USD amounts presented in the cash in banks sub-accounts within eMAX.

Based on our interview with Treasury and Finance team, when a certain amount is entered in local currency eMAX should register the amount as local currency and immediately calculate the transaction in the general ledger but due to the current system configuration it does not register the amount in the proper currency. As a result, the USD amounts calculated for local currencies do not reconcile correctly and the amount presented on the face of the balance sheet does not reflect the correct amounts in USD. The bank balances in USD are also not reflected correctly.

Recommendation

As this is a presentation issue within the current system, we understand that GGGI has requested for eMAX to reconfigure the presentation of Cash in Banks on the balance sheet. As part of their work, we advise for GGGI to request to the vendor a clear understanding on how the foreign currency translation operates and how it should be presented in the system and also ensure that the new vendor will incorporate this understanding during the development of the new ERP.

Closing Activities

We have reviewed the closing activities during the course of our audit of the financial statements and conducted interviews with the relevant officers and staffs in-charge of each significant accounts. We also referred to the draft Finance Manual as a basis for the closing guidelines of GGGI.

Observation

The overall closing activities were delayed and certain account balances were not closed in a timely manner. We understand this to be mainly due to the new financial accounting system, eMAX, which was implemented in November 2013.

Based on our understanding, the monthly accounts for October and November were not closed as GGGI was in the process of establishing the new accounting system. This was conducted at a late stage of the year but we understand that it was necessary in order to place a system to capture GGGI's operations in the USD functional currency. Also, as the translation exercise in presenting the financial information in the functional currency is complex, GGGI had to perform continuous testing of the system to check the integrity of the data migration.

Recommendation

As GGGI is planning to implement a new ERP system as an alternative to the current eMAX accounting system, we recommend the transfer to be initiated at an early stage of the year so that GGGI will be able to sufficiently test the new system prior to year end and ensure that the system is configured to best meet GGGI's expectation of the ERP system.

We also recommend for GGGI to develop a detailed manual covering the significant functions of the accounting/operating activities within the ERP system so that in case of change in personnel the succeeding person may refer to user manual to understand the core functions and outputs of the ERP to reduce the risk of error from lack of appropriate information.

Individual consultants

To test the policies and procedures related to individual consultants, we interviewed the Procurement department and obtained the list of currently active consultants to select samples for testing.

Observation

Based on our interview with Procurement department, we found that the hiring process is in compliance with the internal policy and the contracted individual consultants are compensated based on the guideline presented in the regulation. To corroborate the information obtained from the interview, we selected 2 individual consultants to vouch the supporting documentations and found no exceptions.

Disbursements – Travel and Outsourcing expenses

To review the disbursement policies and procedures we selected the Travel and Outsourcing accounts as the population to select samples for testing. Travel includes the transportation, accommodation and per diem costs incurred by the employees and Outsourcing includes costs incurred for consulting projects and individual consultants. Samples were selected using specific item test method. We selected 158 journal entries from the general ledger and vouched supporting documentations to test compliance with the disbursement regulations.

Observation

We did not note any exceptions as a result from our testing procedures.

Procurement

To test the procurement procedures and policies, we interviewed the Procurement department and also obtained the inventory list of projects GGGI is engaged with outside consulting parties to select samples as part of our testing. We selected 5 samples, 2 projects contracted prior to and 3 projects after the current regulation being effective as of June 8, 2013, as part of our testing.

Observation

Based on our interview and sample tests, we noted that for contracts that were entered into prior to the current regulation being effective the relevant documents (i.e. contracts, evaluation reports, tender of proposals etc) were filed and maintained in the respective departments or satellite offices. However, we have observed that the Procurement department has been working to formulate the documentation process to provide a clear concise documentation file for each project contracted by GGGI and maintain the documentation in a central location, the headquarter office of GGGI and is retrospectively applying the filing method to past contracts as well. We did not note any exceptions as a result from our testing procedures.

This communication is intended solely for the information and use of management and the Audit and Finance Sub-Committee, and is not intended to be and should not be used by anyone other than these specified parties.

We express our appreciation to the officers and employees of the Company for the courtesy and assistance given to us during our audit. Should you have any question regarding the matters presented herein, we shall be pleased to discuss them with you.

Very truly yours,

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

The Company's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Management Response to Closing Activities

The new accounting system EMAX was due to be implemented during the last quarter of 2013 as it was imperative to have all the IO-GGGI data translated to USD. Since the previous accounting software IFLOW was not able to translate Korean Won to USD, EMAX was chosen during the 2nd quarter to replace IFLOW. Subsequently, Ernst & Young was hired late August to conduct the data translation exercise from January to September 2013 which was only completed late October 2013. As a result, the closing activities for October and November had to be delayed together with December 2013 closing as there were many complex issues that needed to be verified such as the translation of Korean Won transactions from January to September 2013, continuous testing on each of the functions within the new accounting software to ensure it captures and reports on the data accurately. In a very short span of time, we had to detect and resolve issues continuously to ensure we do not compromise on our 2013 financial information which will be the precursor for 2014 ERP implementation. It is also important to note that some of the desired functions that we would have hoped to implement such project related balance sheet and trial balance could not be implemented due to the insufficient capability of EMAX.
As recommended by KPMG, we are scheduled to implement ERP by 2nd quarter of 2014 and expected to go live in 3rd quarter which will provide ample of time to configure and meet GGGI and donors expectation. A detailed manual on each function will also be developed as part of ERP implementation process and super users in finance related modules will be tasked to complete this exercise.

Management Response to Bank Reconciliation

We agree with the observation and recommendation. As mentioned in the management letter, the GGGI's financial information system was changed in 2013. Since the system was customized, the initial product was immature and we were not able to use it right away. The Finance Department decided to run a parallel test and perform bank reconciliations manually. This allowed us to confirm results and be sure of obtaining accurate financial information.
After working with eMAX personnel, the 2014 beginning balances in USD have been reconciled and are correctly reflected in the current system. The presentation issue will be resolved once eMAX has been replaced by the new ERP.

Management Response to Individual consultants and Procurement

We concur with the observations on Individual Consultants and Procurement.