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LEGATUM INSTITUTE
(Previously known as Prosperity International)

Companies House Registration No FC028686

Unaudited Financial Statements

TUESDAY



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**For the Year Ended
31st December 2010**

Report of the Directors

Year ended 31st December 2010

The Directors present their report and the unaudited financial statements of Legatum Institute (the Company) (previously known as Prosperity International Limited), Companies House Registration number FC028686 for the year ended 31st December 2010

Incorporation

The Company was incorporated in the Cayman Islands on 15th December 2005

On 27th May 2010 the Company changed its name from Prosperity International Limited to Legatum Institute

Activities

The principal activity of the Company is providing research and advisory services for philanthropic development

Going Concern

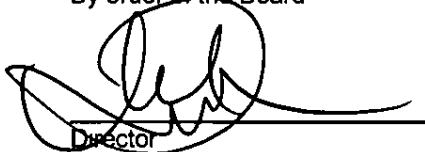
No material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The disclosures in note 3 to the financial statements describe how the Company will meet its ongoing obligations

Directors

The Directors who held office during the year and were subsequently appointed were

- D Payne (resigned 24th January 2010)
- A Russo (resigned 24th January 2010)
- A J McCormick (appointed 24th January 2010)
- M A Stoleson (appointed 24th January 2010)
- P A Vassiliou (appointed 2nd September 2010)

By order of the Board



Director

M A Stoleson

Date 30 JANUARY 2013

Registered Office

Windward 1
Regatta Office Park
PO Box 897
Grand Cayman KY1-1103
Cayman Islands



Statement of Directors' Responsibilities in Respect of the Financial Statements

Year ended 31st December 2010

It is the Directors' responsibility to prepare financial statements. In preparing those financial statements the Directors should

- ensure that the financial statements are in accordance with generally accepted accounting principles and show a true and fair view of the results of the Company for the year and the state of the Company's affairs at the end of the year
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

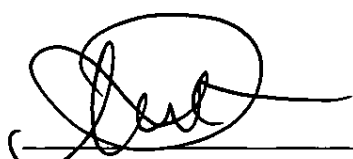
The Directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Financial Position

Year ended 31st December 2010

| | Notes | 31 st December 2010 US\$ | 31 st December 2009 US\$ |
|-------------------------------|-------|---|---|
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | - | 10,532 |
| Current Assets | | | |
| Cash at bank and in hand | | 585,000 | 50,278 |
| Prepayments | | 126,798 | 129,044 |
| Debtors | | <u>422</u> | <u>362</u> |
| Total Assets | | 712,220 | 190,216 |
| Current Liabilities | | | |
| Accruals | | 886,713 | 352,403 |
| Loan from group company | 6 | 39,728 | 39,728 |
| Loan from parent company | 7 | 21,004,263 | 14,084,893 |
| Other liabilities | 8 | <u>101,045</u> | <u>53,858</u> |
| Net (Liabilities) | | US\$ <u>(21,319,529)</u> | US\$ <u>(14,340,666)</u> |
| Equity | | | |
| Share capital | 9 | 100 | 100 |
| Retained earnings | | <u>(21,319,629)</u> | <u>(14,340,766)</u> |
| Net Deficit | | US\$ <u>(21,319,529)</u> | US\$ <u>(14,340,666)</u> |

The notes on pages 6 to 8 form an integral part of these financial statements



Director

M A Stoleson

30 JANUARY 2013 Date approved by the Board

Statement of Changes in EquityYear ended 31st December 2010

| | Share Capital US\$ | Retained Earnings US\$ | Total US\$ |
|---|--------------------------|------------------------------|----------------------------|
| Balance at 31 st December 2008 | US\$ <u>100</u> | US\$ (<u>7,375,403</u>) | US\$ (<u>7,375,303</u>) |
| Loss for the year | — | (<u>6,965,363</u>) | (<u>6,965,363</u>) |
| Balance at 31 st December 2009 | US\$ <u>100</u> | US\$ (<u>14,340,766</u>) | US\$ (<u>14,340,666</u>) |
| Loss for the year | — | (<u>6,978,863</u>) | (<u>6,978,863</u>) |
| Balance at 31 st December 2010 | US\$ <u>100</u> | US\$ (<u>21,319,629</u>) | US\$ (<u>21,319,529</u>) |

The notes on pages 6 to 8 form an
integral part of these financial statements

Statement of Comprehensive Income
Year ended 31st December 2010

| | US\$ | Year Ended 31 st December 2010 US\$ | US\$ | Year Ended 31 st December 2009 US\$ |
|--|------------------|---|------------------|---|
| Expense | | | | |
| Administrative expenses | 4,791,892 | | 4,434,509 | |
| Depreciation expense | 10,533 | | 10,532 | |
| Professional fees | 585,398 | | 622,205 | |
| Program expenses | <u>1,570,088</u> | | <u>1,909,635</u> | |
| | | 6,957,911 | | 6,976,881 |
| Foreign exchange (loss) / gain | | (21,321) | | 11,518 |
| (Loss) for the Year | | <u>(6,978,863)</u> | | <u>(6,965,363)</u> |
| Total Comprehensive (Loss) for the Year | | US\$ <u>(6,978,863)</u> | | US\$ <u>(6,965,363)</u> |

The notes on pages 6 to 8 form an
integral part of these financial statements

LEGATUM INSTITUTE

Notes to Financial Statements

Year ended 31st December 2010

1 Basis of Accounting

The financial statements have been prepared on a historical cost basis. The financial statements are prepared in US dollars.

(i) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by, or adopted by, the International Accounting Standards Board.

(ii) New Standards Effective from 1st January 2010

New standards, amendments and interpretations which are effective for 2010 had no impact on the financial statements of the Company.

(iii) New Standards Issued but not yet Effective

The following standards are issued but not yet effective:

| <u>Standard</u> | <u>Effective Date</u> | <u>Impact</u> |
|--|-------------------------------|--|
| IFRS 1 First Time Adoption of IFRS | 1 st July 2010 | Limited exemption from comparative IFRS 7 disclosure for first-time adopters |
| IFRS 9 Financial Instruments | 1 st January 2013 | Classification and measurement of financial assets |
| IAS 24 Related Party Disclosures | 1 st January 2011 | Definition of related parties |
| IAS 32 Financial Instruments Presentation | 1 st February 2010 | Classification of rights issues |
| IFRIC 14 Prepayments of a Minimum Funding Requirement | 1 st January 2011 | Recoverable amount of a net pension asset |
| IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 1 st July 2010 | Extinguishing financial liabilities with equity instruments |

The Company has decided not to early adopt any of these amendments and they will not have any significant impact on the financial statements.

(iv) Improvements to IFRSs

In May 2008, the IASB has issued its first omnibus of amendments to its standards for making non-urgent amendments to standards. In April 2009 and May 2010 the IASB issued its second and third omnibuses of amendments to its standards.

There are separate transitional provisions for each standard and the amendments are effective for either 31st December 2010 or 31st December 2009 year ends. The amendments effective from 31st December 2010 did not have an impact on the financial statements.

The Company has decided not to early adopt any of the amendments which are effective from 31st December 2011, and they will not have any significant impact on the financial statements.

2 Significant Accounting Judgements, Estimates and Assumptions

The Directors are of the opinion that there are no significant accounting judgements, estimates and assumptions.

3 Summary of Significant Accounting Policies

(i) Loan from Parent Company



Notes to Financial Statements

Year ended 31st December 2010

The loan from parent company is recognised at total consideration and classified as a current liability, as it is repayable on demand

(ii) Foreign Currency

Transactions denominated in foreign currencies are translated into US Dollars at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rate of exchange ruling at the date of the Statement of Financial Position. Exchange differences arising on both the translation at year end rates and on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency gains or losses.

(iii) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(iv) Accruals

Liabilities are recognised for amounts to be paid in the future for goods or services rendered, whether billed by the supplier or not.

(v) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost, excluding costs of day to day servicing, less cumulative depreciation on a straight line basis and impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is calculated on the straight-line basis over the estimated useful lives with a full year charged in the year of purchase as follows:

| | |
|---------------------------|-----|
| Computers and Peripherals | 33% |
|---------------------------|-----|

(vi) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

4 Going Concern

The Company relies upon its parent company to provide funds to meet its ongoing obligations. The financial statements have been prepared on a going concern basis which assumes that the Company will continue to receive funds from its parent company as required. The Directors have received written assurances from the parent company that continued financial support will be made available for at least 12 months following the signing of the financial statements. As such, the Directors are satisfied that the going concern assumption continues to be appropriate for the Company.



LEGATUM INSTITUTE

Notes to Financial Statements

Year ended 31st December 2010

5 Property, Plant and Equipment

| | Cost | Depreciation | Net book value |
|--------------------------------------|--------------------|----------------------|----------------------|
| As at 1 st January 2009 | US\$ <u>31,597</u> | US\$ <u>(10,533)</u> | US\$ <u>(21,064)</u> |
| Depreciation charge for the year | <u>-</u> | <u>(10,532)</u> | <u>(10,532)</u> |
| As at 31 st December 2009 | US\$ <u>31,597</u> | US\$ <u>(21,065)</u> | US\$ <u>(10,532)</u> |
| Depreciation charge for the year | <u>-</u> | <u>(10,532)</u> | <u>(10,532)</u> |
| As at 31 st December 2010 | US\$ <u>31,597</u> | US\$ <u>(31,597)</u> | US\$ <u>-</u> |

6 Loan from Group Company

| | 31st December 2010 US\$ | 31st December 2009 US\$ |
|-------------------------|-------------------------------|-------------------------------|
| Loan from group company | US\$ <u>39,728</u> | US\$ <u>39,728</u> |

The loan from the group company is unsecured, interest free and repayable on demand

7 Loan from Parent Company

| | 31st December 2010 US\$ | 31st December 2009 US\$ |
|--------------------------|-------------------------------|-------------------------------|
| Loan from parent company | US\$ <u>21,004,263</u> | US\$ <u>14,084,893</u> |

The loan from the parent company is unsecured, interest free and repayable on demand

8 Other Liabilities

| | 31 st December 2010 US\$ | 31 st December 2009 US\$ |
|-------------------------|---|---|
| Miscellaneous creditors | <u>101,045</u> | <u>46,076</u> |
| Other liabilities | US\$ <u>101,045</u> | US\$ <u>46,076</u> |

9 Share Capital

| | 31 st December 2010 US\$ | 31 st December 2009 US\$ |
|--|---|---|
| Authorised 50,000 ordinary shares of US\$ 1 each | US\$ <u>50,000</u> | US\$ <u>50,000</u> |
| Issued and fully paid 100 ordinary shares of US\$ 1 each | US\$ <u>100</u> | US\$ <u>100</u> |