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LEGATUM INSTITUTE
(Previously known as Prosperity International)
Companies House Registration No FC028686
Unaudited Financial Statements

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**For the Year Ended
31st December 2009**

Report of the Directors

Year ended 31st December 2009

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 2009

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

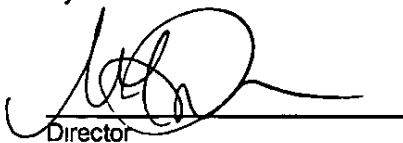
No material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The disclosures in note 3 to the financial statements describe how the Company will meet its ongoing obligations

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)

By order of the Board



Director

M A Stoleson

Date 11 November 2010

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 2009

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.




LEGATUM INSTITUTE

Statement of Financial Position

Year ended 31st December 2009

	Notes	31 st December 2009 US\$	31 st December 2008 US\$
Non-Current Assets			
Property, plant and equipment	4	10,532	21,064
Current Assets			
Cash at bank and in hand		50,278	19,489
Prepayments		129,044	125,580
Debtors		<u>362</u>	<u>55,517</u>
Total Assets		190,216	221,650
Current Liabilities			
Accruals		352,403	309,337
Loan from group company	5	39,728	39,728
Loan from parent company	6	14,084,893	7,201,813
Other liabilities	7	<u>53,858</u>	<u>46,075</u>
Net (Liabilities)		US\$ <u>(14,340,666)</u>	US\$ <u>(7,375,303)</u>
Equity			
Share capital	8	100	100
Retained earnings		<u>(14,340,766)</u>	<u>(7,375,403)</u>
Net Deficit		US\$ <u>(14,340,666)</u>	US\$ <u>(7,375,303)</u>

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



M A Stoleson Director

11 November 2010 Date approved by the Board

Companies House Registration No FC028686



LEGATUM INSTITUTE

Statement of Changes in Equity

Year ended 31st December 2009

	Share Capital US\$	Retained Earnings US\$	Total US\$
Balance at 31 st December 2007	US\$ <u>100</u>	US\$ <u>-</u>	US\$ <u>100</u>
(Loss) for the year	<u>-</u>	(<u>7,375,403</u>)	(<u>7,375,403</u>)
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>-</u>	(<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>)

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



Statement of Comprehensive Income

Year ended 31st December 2009

	US\$	Year Ended 31 st December 2009 US\$	US\$	Year Ended 31 st December 2008 US\$
Expense				
Administrative expenses	4,434,509		2,005,416	
Depreciation expense	10,532		10,532	
Professional fees	622,205		726,463	
Program expenses	<u>1,909,635</u>		<u>4,602,478</u>	
		6,976,881		7,344,889
Foreign exchange gain / (loss)		<u>11,518</u>		<u>(30,514)</u>
(Loss) for the Year		<u>(6,965,363)</u>		<u>(7,375,403)</u>
Total Comprehensive (Loss) for the Year		US\$ <u>(6,965,363)</u>		US\$ <u>(7,375,403)</u>

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

Notes to Financial Statements

 Year ended 31st December 2009

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 2009

The Company has adopted the following standard

- IAS 1 (Revised 2007) Presentation of Financial Statements

The standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009 with early application permitted.

The standard introduces the Statement of Comprehensive Income. It presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company has chosen to present one single Statement of Comprehensive Income.

Other new standards, amendments and interpretations which are effective for 2009 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 January 2010	Relief from retrospective application of IFRS in certain circumstances
IFRS 2 Share-based Payments	1 st January 2010	Guidance on scope of this standard
IFRS 3 (Revised 2008) Business Combinations	1 st July 2009	Goodwill and reported results
IAS 27 (Revised 2008) Consolidated and Separate Financial Statements	1 st July 2009	Accounting for change in ownership interest of a subsidiary
IAS 39 Financial Instruments	1 st July 2009	Eligible hedged items
IFRIC 17 Distributions on Non-cash Assets to Owners	1 st July 2009	Distributions of non-cash assets to owners

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, the IASB has issued its second omnibus of amendments to its standards.

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



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Notes to Financial Statements

Year ended 31st December 2009

The Company has decided not to early adopt any of the amendments which are effective from 31st December 2010, and they will not have any significant impact on the financial statements

2 Summary of Significant Accounting Policies

(i) Loan from Parent Company

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%
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(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

3 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



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Notes to Financial Statements

Year ended 31st December 2009

4 Property, Plant and Equipment

	Cost	Depreciation	Net book value
As at 1 st January 2008	-	-	-
Additions	31,597	-	31,597
Depreciation charge for the year	-	(10,532)	(10,532)
As at 31 st December 2008	US\$ <u>31,597</u>	US\$ (10,532)	US\$ <u>21,064</u>
Depreciation charge for the year	-	(10,532)	(10,532)
As at 31 st December 2009	US\$ <u>31,597</u>	US\$ (21,064)	US\$ <u>10,532</u>

5 Loan from Group Company

	31st December 2009 US\$	31st December 2008 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

6 Loan from Parent Company

	31st December 2009 US\$	31st December 2008 US\$
Loan from parent company	US\$ <u>14,084,893</u>	US\$ <u>7,201,813</u>

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

7 Other Liabilities

	31 st December 2009 US\$	31 st December 2008 US\$
Miscellaneous creditors	<u>53,858</u>	<u>46,076</u>
Other liabilities	US\$ <u>53,858</u>	US\$ <u>46,076</u>

8 Share Capital

	31 st December 2009 US\$	31 st December 2008 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>