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**LEGATUM INSTITUTE**  
(Previously known as Prosperity International)

Companies House Registration No FC028686

**Unaudited Financial Statements**

TUESDAY



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05/02/2013

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COMPANIES HOUSE

**For the Year Ended  
31<sup>st</sup> December 2011**



## LEGATUM INSTITUTE

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### Report of the Directors

Year ended 31<sup>st</sup> December 2011

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 31<sup>st</sup> December 2011

#### Incorporation

The Company was incorporated in the Cayman Islands on 15<sup>th</sup> December 2005

On 27<sup>th</sup> 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

A J McCormick  
M A Stoleson  
P A Vassiliou  
V J Gedmin (appointed 19<sup>th</sup> September 2011)

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

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**Statement of Directors' Responsibilities in Respect of the Financial Statements**

Year ended 31<sup>st</sup> December 2011

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 31<sup>st</sup> December 2011

	Notes	31 <sup>st</sup> December 2011 US\$	31 <sup>st</sup> December 2010 US\$
<b>Current Assets</b>			
Cash at bank and in hand		557,971	585,000
Prepayments		559,784	126,798
Debtors		<u>2,495</u>	<u>422</u>
<b>Total Assets</b>		1,120,250	712,220
<b>Current Liabilities</b>			
Accruals		217,150	886,713
Loan from group company	6	-	39,728
Loan from parent company	7	30,742,614	21,004,263
Other liabilities	8	<u>103,209</u>	<u>101,045</u>
<b>Net (Liabilities)</b>		US\$ <u>(29,942,723)</u>	US\$ <u>(21,319,529)</u>
<b>Equity</b>			
Share capital	9	100	100
Accumulated deficit		<u>(29,942,823)</u>	<u>(21,319,629)</u>
<b>Net Deficit</b>		US\$ <u>(29,942,723)</u>	US\$ <u>(21,319,529)</u>

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

  
\_\_\_\_\_  
M A Stoleson  
Director

30 JANUARY 2013 Date approved by the Board

**Statement of Changes in Equity**

Year ended 31<sup>st</sup> December 2011

	Share Capital US\$	Retained Earnings US\$	Total US\$
Balance at 31 <sup>st</sup> December 2008	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 <sup>st</sup> December 2009	US\$ <u>100</u>	US\$ <u>(21,319,629)</u>	US\$ <u>(21,319,529)</u>
Loss for the year	---	( <u>8,623,194</u> )	( <u>8,623,194</u> )
Balance at 31 <sup>st</sup> December 2010	US\$ <u>100</u>	US\$ <u>(29,942,823)</u>	US\$ <u>(29,942,723)</u>

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

**Statement of Comprehensive Income**

 Year ended 31<sup>st</sup> December 2011

	US\$	Year Ended 31 <sup>st</sup> December 2011 US\$	US\$	Year Ended 31 <sup>st</sup> December 2010 US\$
<b>Expense</b>				
Administrative expenses	6,386,843		4,791,892	
Depreciation expense	-		10,533	
Professional fees	1,019,011		585,398	
Program expenses	<u>1,201,421</u>		<u>1,570,088</u>	
		8,607,275		6,957,911
Foreign exchange (loss)		( 16,496 )		( 21,321 )
<b>Loss for the Year</b>		<u>(8,623,194)</u>		<u>(6,978,863)</u>
<b>Total Comprehensive Loss for the Year</b>		US\$ <u>(8,623,194)</u>		US\$ <u>(6,978,863)</u>

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

**Notes to Financial Statements**

 Year ended 31<sup>st</sup> December 2011

**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 1<sup>st</sup> January 2011**

New standards, amendments and interpretations which are effective for 2011 had no impact on the financial statements of the Company.

**(iii) New and Amended 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>
IAS 1 Financial Statement Presentation	1 <sup>st</sup> July 2012	Presentation of Items of Other Comprehensive Income
IAS 12 Income Taxes (Amendment)	1 <sup>st</sup> January 2012	Guidance on tax rate for investment properties
IAS 19 Employee Benefits (Amendment)	1 <sup>st</sup> January 2013	Reporting gains and losses outside of profit or loss with no subsequent recycling
IAS 27 Separate Financial Statements (as revised in 2011)	1 <sup>st</sup> January 2013	Accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	1 <sup>st</sup> January 2013	Application of the equity method to investments in joint ventures
IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment)	1 <sup>st</sup> July 2011	Severe hyperinflation and removal of fixed dates for First-time Adopters
IFRS 7 Financial Instruments Disclosures	1 <sup>st</sup> July 2011	Enhanced de-recognition disclosure requirements
IFRS 9 Financial Instruments Classification and Measurement	1 <sup>st</sup> January 2015	Classification and measurement of financial assets and financial liabilities
IFRS 10 Consolidated Financial Statements	1 <sup>st</sup> January 2013	Establishment of a single control model
IFRS 11 Joint Arrangements	1 <sup>st</sup> January 2013	Changes to the definition of, and accounting for, jointly controlled entities
IFRS 12 Disclosure of Interests in Other Entities	1 <sup>st</sup> January 2013	Changes to the disclosure requirements for Interests in Other Entities
IFRS 13 Fair Value Measurement	1 <sup>st</sup> January 2013	Establishment of a single source of guidance for all fair value measurements

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 2010, the IASB issued its third omnibus of amendments to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard and interpretation. The adoption of these standards and interpretations did not have any significant impact on the accounting policies, financial position or performance of the Company.



## Notes to Financial Statements

Year ended 31<sup>st</sup> December 2011

### 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

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.

### 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 31<sup>st</sup> December 2011

#### 5 Property, Plant and Equipment

	Cost	Depreciation	Net book value
As at 1 <sup>st</sup> January 2010	US\$ <u>31,597</u>	US\$ (21,065)	US\$ (10,532)
Depreciation charge for the year	—	(10,532)	(10,532)
As at 31 <sup>st</sup> December 2010	US\$ <u>31,597</u>	US\$ (31,597)	US\$ —
Depreciation charge for the year	—	—	—
As at 31 <sup>st</sup> December 2011	US\$ <u>31,597</u>	US\$ (31,597)	US\$ —

#### 6 Loan from Group Company

	31st December 2011 US\$	31st December 2010 US\$
Loan from group company	US\$ —	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 2011 US\$	31st December 2010 US\$
Loan from parent company	US\$ <u>30,742,614</u>	US\$ <u>21,004,263</u>

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

#### 8 Other Liabilities

	31 <sup>st</sup> December 2011 US\$	31 <sup>st</sup> December 2010 US\$
Miscellaneous creditors	<u>103,209</u>	<u>46,076</u>
Other liabilities	US\$ <u>103,209</u>	US\$ <u>46,076</u>

#### 9 Share Capital

	31 <sup>st</sup> December 2011 US\$	31 <sup>st</sup> December 2010 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>