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FC 28686

LEGATUM INSTITUTE

Companies House Registration No. FC028686

Unaudited Financial Statements

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**For the Year Ended
31 December 2014**

LEGATUM INSTITUTE

Report of the Directors

Year ended 31st December 2014

The Directors present their annual report and the financial statements of Legatum Institute (the Company), Companies House Registration number FC028686 for the year ended 31 December 2014

Incorporation

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

Activities

The principal activity of the Company was providing research and advisory services for philanthropic development until 31st May 2014, when the Company ceased most of its activity

Going Concern

No material uncertainties that may cast significant doubt over the ability of the Company to continue as a going concern have been identified by the Directors. The disclosures in note 4 to the financial statements describe how the Company meet its on-going obligations

Directors

The Directors who held office during 2014 were

A J McCormick
M A Stoleson
P A Vassiliou

By order of the Board



Director

Date 23 April 2015

Registered Office

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

LEGATUM INSTITUTE

Statement of Directors' Responsibilities in Respect of the Financial Statements

Year ended 31st December 2014

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

The Directors are required to prepare financial statements for each financial period, which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing those financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- State that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping adequate accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Company. They 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

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Statement of Financial Position

As at 31st December 2014

	Notes	31 st December 2014 US\$	31 st December 2013 US\$
Current Assets			
Cash at bank and in hand		465,683	597,868
Prepayments		-	243,564
Debtors		<u>70,868</u>	<u>10,982</u>
Total Assets		536,551	852,414
Current Liabilities			
Accruals		(40,804)	(675,521)
Loan from parent company	5	(49,746,292)	(46,602,404)
Other liabilities	6	-	(128,067)
Total Liabilities		(49,787,096)	(47,405,992)
Net Liabilities		<u>(49,250,545)</u>	<u>(46,553,578)</u>
Equity			
Share capital	7	100	100
Accumulated deficit		(49,250,645)	(46,553,678)
Net Deficit		<u>(49,250,545)</u>	<u>(46,553,578)</u>

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

 Director

23 April 2015 Date approved by the Board

Companies House Registration No FC028686

LEGATUM INSTITUTE

Statement of Changes in Equity

Year ended 31st December 2014

	Share Capital US\$	Accumulated Deficit US\$	Total US\$
Balance as at 31 st December 2012	<u>100</u>	<u>(39,059,507)</u>	<u>(39,059,407)</u>
Total comprehensive loss for the year	<u>-</u>	<u>(7,494,171)</u>	<u>(7,494,171)</u>
Balance as at 31 st December 2013	<u>100</u>	<u>(46,553,678)</u>	<u>(46,553,578)</u>
Total comprehensive loss for the year	<u>-</u>	<u>(2,696,967)</u>	<u>(2,696,967)</u>
Balance as at 31 st December 2014	<u>100</u>	<u>(49,250,645)</u>	<u>(49,250,545)</u>

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

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Statement of Comprehensive Income

Year ended 31st December 2014

	31 st December		31 st December	
	2014		2013	
	US\$	US\$	US\$	US\$
Expenses				
Administrative expenses	2,191,637		6,205,409	
Professional fees	263,459		1,261,453	
Program expenses	<u>73,035</u>		<u>3,802</u>	
		(2,528,131)		(7,470,664)
Foreign exchange loss		<u>(168,836)</u>		<u>(23,507)</u>
Loss for the Year from continuing operations		<u>(2,696,967)</u>		<u>(7,494,171)</u>
Total Comprehensive Loss for the year		<u>(2,696,967)</u>		<u>(7,494,171)</u>

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

Notes to the Financial Statements

Year ended 31st December 2014

1 Basis of Preparation

The financial statements have been prepared on a historical cost basis. The financial statements are prepared in dollars and all amounts are rounded to the nearest US dollar.

(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, with the exception of the cash flow disclosures prescribed by IAS 1 and IAS 7 and the disclosure requirements of IAS 17, IAS 24 and IFRS 7 as the Directors believe that these disclosures are not appropriate.

(ii) Changes in Accounting Policy and Disclosure

The Company applied, for the first time, certain standards and amendments that resulted in no impact to the financial statements. The nature and impact of each relevant new standard and amendment is described below.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

(iii) New Standards Issued but not yet Effective

The relevant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The adoption of IFRS 9 will have an effect on the classification of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2 Significant Accounting Judgements, Estimates and Assumptions

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

Notes to the Financial Statements

Year ended 31st December 2014

3 Summary of Significant Accounting Policies

(i) 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

(ii) Loans Payable

Loans are recognised at total consideration as they are repayable on demand

(iii) Accruals

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

(iv) Expenses

Expenses are recognised on an accruals basis

(v) 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. On 15th December 2008 the Company entered into a property lease agreement with a related company on an arm's length basis. The lease was terminated on 31st May 2014.

(vi) Foreign Currency

Transactions denominated in foreign currencies are translated into US dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate at year end. 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.

4 Going Concern

The Company relies upon its parent company to provide funds to meet its on-going 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 are satisfied that this will continue to be the case for at least the next 12 months from the date of the approval of these financial statements. As such, the Directors are satisfied that the going concern assumption continues to be appropriate for the Company.

5 Loan from Parent Company

	31 st December 2014 US\$	31 st December 2013 US\$
Loan from parent company	<u>49,746,292</u>	<u>46,602,404</u>

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

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Notes to the Financial Statements

Year ended 31st December 2014

6 Other Liabilities	31st December 2014 US\$	31st December 2013 US\$
Miscellaneous creditors	-	128,067
Other liabilities	-	128,067

7 Share Capital	31st December 2014 US\$	31st December 2013 US\$
Authorised 50,000 ordinary shares of US\$ 1 each	50,000	50,000
Issued and fully paid 100 ordinary shares of US\$ 1 each	100	100