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LEGATUM INSTITUTE

Companies House Registration No. FC028686

Unaudited Financial Statements

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**For the Year Ended
31 December 2013**

LEGATUM INSTITUTE

Report of the Directors

Year ended 31st December 2013

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 2013

Incorporation

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

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 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 2013 were:

A J McCormick

M A Stoleson

P A Vassiliou

V J Gedmin (resigned 4th December 2013)

By order of the Board



Director

Date 6 March 2014

Registered Office

Windward 1
Reggatta 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 2013

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 2013

	Notes	31 st December 2013 US\$	31 st December 2012 US\$
Current Assets			
Cash at bank and in hand		597,868	646,890
Prepayments		243,564	221,041
Debtors		10,982	5,703
Total Assets		852,414	873,634
Current Liabilities			
Accruals		(675,521)	(288,572)
Loan from parent company	5	(48,802,404)	(39,510,787)
Other liabilities	6	(128,067)	(133,682)
Total Liabilities		(47,405,992)	(39,933,041)
Net Liabilities		(48,553,578)	(39,059,407)
Equity			
Share capital	7	100	100
Accumulated deficit		(48,553,678)	(39,059,507)
Net Deficit		(48,553,578)	(39,059,407)

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



Director

6 March 2014 Date approved by the Board

Companies House Registration No FC028688

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Statement of Changes in Equity

Year ended 31st December 2013

	Share Capital US\$	Accumulated Deficit US\$	Total US\$
Balance as at 31 st December 2011	<u>100</u>	<u>(29,942,823)</u>	<u>(29,942,723)</u>
Loss for the year	<u>-</u>	<u>(9,116,684)</u>	<u>(9,116,684)</u>
Balance as at 31 st December 2012	<u>100</u>	<u>(39,059,507)</u>	<u>(39,059,407)</u>
Loss for the year	<u>-</u>	<u>(7,494,171)</u>	<u>(7,494,171)</u>
Balance as at 31 st December 2013	<u><u>100</u></u>	<u><u>(46,553,678)</u></u>	<u><u>(46,553,578)</u></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 2013

	31 st December 2013		31 st December 2012	
	US\$	US\$	US\$	US\$
Expense				
Administrative expenses	8,205,409		7,602,738	
Professional fees	1,261,453		1,328,259	
Program expenses	<u>3,802</u>		<u>214,662</u>	
		(7,470,684)		(9,145,659)
Foreign exchange (loss)/gain		<u>(23,507)</u>		<u>28,975</u>
Loss for the Year from continuing operations		<u>(7,494,171)</u>		<u>(9,116,684)</u>
Total Comprehensive Loss for the year		<u>(7,494,171)</u>		<u>(9,116,684)</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 2013

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 additional disclosures in the financial statements. These include IFRS 13 Fair Value Measurement, the nature and impact of which is described below. Several other amendments apply for the first time in 2013, however they do not impact the financial statements of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

(iii) New Standards Issued but not yet Effective

The following new and amended standards and interpretations are issued but are not yet effective for the reporting period:

<u>Standard</u>	<u>For periods beginning on or after</u>	<u>Impact</u>
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)	1 January 2014	Clarification of legally enforceable right to set-off
IFRS 9 Financial Instruments Classification and Measurement	1 January 2015	Classification and measurement of financial assets and financial liabilities

The Company has decided not to early adopt any of these new or amended standards. None of these will have a 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.

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Notes to the Financial Statements

Year ended 31st December 2013

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

(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 2013 US\$	31 st December 2012 US\$
Loan from parent company	<u>46,602,404</u>	<u>39,510,787</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 2013

6 Other Liabilities	31st December	31st December
	2013	2012
	US\$	US\$
Miscellaneous creditors	<u>128,067</u>	<u>133,682</u>
Other liabilities	<u>128,067</u>	<u>133,682</u>
7 Share Capital	31st December	31st December
	2013	2012
	US\$	US\$
Authorised 50,000 ordinary shares of US\$ 1 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid 100 ordinary shares of US\$ 1 each	<u>100</u>	<u>100</u>