

**Company's Registered Number: 07430903**  
**Charity registration number: 1140719**

**THE LEGATUM INSTITUTE FOUNDATION**

**Trustees' Annual Report  
and financial statements  
for the year ended**

**31 December 2018**



# THE LEGATUM INSTITUTE FOUNDATION

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# THE LEGATUM INSTITUTE FOUNDATION

## TRUSTEES AND ADVISERS

### Trustees

Toby Oliver James Baxendale  
Richard Henry Briance  
Alan James McCormick  
Richard William James Parry  
Philippa Claire Stroud  
Heather Ednah Tsitsi frl  
Robert Charles Vickers  
Arthur Charles Brooks  
Simon Edward Brocklebank-Fowler (resigned  
February 2018)  
Jane Marie Siebels (resigned July 2018)

### Senior management personnel

Philippa Stroud, Chief Executive Officer  
Stephen Brien, Director of Policy  
Nathan Gamester, Chief Operating Officer  
Alastair Masser, Director of Communications

### Registered and principal office

11 Charles Street  
London  
W1J 5DW

### Websites and social media

www.li.com  
www.prosperity.com  
twitter: @LegatumInst  
Facebook: LegatumInst  
LinkedIn: Legatum Institute  
YouTube: TheLegatumInstitute

### Bankers

Metro Bank plc  
120 Cheapside  
London  
EC2V 7JB

### Auditor

Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants  
25 Moorgate  
London  
EC2R 6AY

### Solicitors

Bates Wells Braithwaite LLP  
10 Queen St Place  
London  
EC4R 1BE

### Status

The charity is a company limited by guarantee and  
incorporated and registered as a charity in England  
and Wales  
Company's Registered Number: 07430903  
Charity registration number: 1140719

## THE LEGATUM INSTITUTE FOUNDATION

### CHAIR'S REPORT

The Legatum Institute Foundation (the “Institute”) entered 2018 with a strong sense of optimism for the year ahead. This optimism stemmed from a well-established staff team, a powerful vision for effecting positive change, and a research agenda aiming to put a dent into some of the world’s most complex problems.

The Institute exists to identify and create the pathways that lead from poverty to prosperity. This ambition runs through all of our research work as we seek practical solutions to the major challenges of our generation. Within our Centre for Metrics we continued to explore how prosperity is forming and changing around the world, culminating in the publication of our twelfth annual Prosperity Index, which we launched in November. Work also began on two major multi-year projects – the Global Index of Economic Openness, ranking the ability of nations around the world to engage with trade and commerce; and the US Prosperity Index, which will apply our unique view of prosperity to every state in the United States to assess how prosperity is forming and changing in America.

In addition to this, our programmes looking at Global People Movements, 21<sup>st</sup> Century International Development, and Peace and Reconciliation developed their scope of research. The Institute also grew its Road to Character and Forum programmes, hosting prestigious speakers from around the world to discuss important global themes and to consider the role of character in transforming society.

The Institute held 62 events during 2018. Highlights included the launch of the Social Metrics Commission at the Abbey Centre in London; our fifth annual Summer Party; the launch of 21<sup>st</sup> Century Success Stories; and the launch of the 2018 Prosperity Index at the iconic Lancaster House in London.

Through these events and other meetings, thousands of people were able to hear about our research, learn about our programmes, and network among our guests. Speakers at these events included, among others: HE The Hon Alexander Downer (then Australian High Commissioner to the UK), Dame Helena Morrissey, Andrew Sheer PC MP (Leader of the Canadian Opposition), Sir Paul Coleridge, Dr Arthur Brooks, Dr Dambisa Moyo, Sir Roger Scruton, Michael Gove MP, Sir Richard Dearlove, Hernando de Soto, Matt Hancock MP, HE Yamina Karitanyi (High Commissioner for the Republic of Rwanda to the United Kingdom), Niall Ferguson and Jonathan Haidt.

During the year, the Institute published eight major reports, including a ground-breaking new poverty measure from the Social Metrics Commission, published in September. This report, which is the culmination of two years’ work by the Commission, outlined a new approach to poverty measurement for the UK and provided original analysis to further our understanding of poverty. With expert commissioners drawn from academia, government, and front-line practitioners, the report has already made a big impact in the world of policy with further reports due in 2019.

Other reports published included our first report examining Global People Movements, which studied the challenges posed by large scale migration including significant flows of refugees and victims of human trafficking. We also published an examination into the mental health of adolescents, The Maker Generation: Post-millennials and the future they are fashioning, as well as our second study of Central and Eastern Europe.

The Institute continued to grow its digital and media presence throughout the year. The LI.com website received 230,000 visitors in 2018, an average of more than 19,000 per month. The Institute posted more than 800 tweets over the course of the year, achieving more than 1,700,000 impressions, 2,800 mentions and more than 53,000 profile visits. We generated a total of more than 1,300 pieces of coverage in 2018, and representatives of the Institute were quoted in mainstream UK newspapers including the Daily Mail, Guardian, Financial Times, Independent and The Times and participated in broadcast discussions on BBC and ITV News.

The Institute furthered its long-term fundraising strategy to increase external fundraising with the aim of diversifying and expanding its funding base. In 2018, in addition to donations received from Legatum

## **THE LEGATUM INSTITUTE FOUNDATION**

### **CHAIR'S REPORT (continued)**

Foundation Limited, the Institute raised over £1.4 million from 39 separate donors covering a mix of individuals, businesses and trusts.

One significant event of 2018 was the case report published by the Charity Commission following an extensive correspondence between the Institute and the Commission. The Charity Commission opened the case to examine whether the work of the Institute was conducted in accordance with its educational objects and independently of political views. Of particular interest was a report published by the Institute in November 2017, and whether the report might risk being perceived to promote a particular political view.

The Institute answered a range of questions from the Commission and in June 2018, the Commission closed its case after concluding that the Institute is independent, that it engages with a variety of people across the political spectrum, that the Institute's trustees are aware of their responsibilities and that the subject of the report was a legitimate area of study for the charity. The Commission did conclude that one aspect of the report's content, relating to free trade, may be seen as promoting a political view. The case report from the Charity Commission is available on the Commission's website.

In 2019, we will continue to advance our mission of helping people to move from poverty to prosperity, evolving and developing our current programmes while also tackling new challenges. None of this would be possible without our hard-working staff and our growing community of supporters and donors.

I have an immense sense of pride as I think about everything the Institute has achieved so far and will achieve in the years to come. 2018 was another superb year, marked by some impressive accomplishments. For me, though, the biggest achievement was seeing the team develop and bond together in pursuit of the Institute's vision. In order to continue with our work, we depend on the support, encouragement, and friendship so many provide. I'd like to thank all of our supporters for being on this journey with us; we look forward to many more years of progress.

A J McCormick – Chair

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' ANNUAL REPORT**

The Trustees are pleased to present their annual report together with the financial statements of The Legatum Institute Foundation (the “Institute”) for the year ending 31 December 2018.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Institute’s Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### **OUR PURPOSES AND ACTIVITIES**

The Institute’s Objects, as set out in its Articles of Association, are to advance the education of the public in national and international political, social and economic policy, including the promotion of research in any of those areas and the publication of the useful results of such research.

As an international think tank and educational charity, the Institute’s overall strategy is to:

- undertake research covering national and international political, social and economic policy;
- disseminate the results of that research for educational purposes, so as to promote prosperity throughout the world.

This strategy will continue into 2019 and beyond, with the Institute bringing in additional programmatic work to extend its educational reach to greater audiences around the world.

In 2018, the Institute ran dedicated research programmes, including Centre for Metrics, Global People Movements, Cultural Transformation, Effective Government, and 21st Century International Development.

These programmes covered the areas of economics and growth, the political and economic development of countries, governance structures, society, and wellbeing. Through these programmes, the Institute seeks to understand what drives and restrains national success and individual flourishing.

As part of its activities during the year, the Institute also published the Legatum Prosperity Index™ in November. The Index assesses a wide range of indicators across several pillars such as education, health, social capital, entrepreneurship, and personal freedom to rank 149 countries. Published annually, the Index has become an essential tool for governments, opinion-shapers, and influencers around the world.

The Institute is based in London. Its lead sponsor is Legatum Foundation Limited.

The Institute fulfils its educational purpose by making available the results of its research to the public – all research reports are freely available at [www.li.com](http://www.li.com) and [www.prosperity.com](http://www.prosperity.com). In addition, the Institute runs a range of events throughout the year to promote its research findings. These findings are widely cited in the media, adding to the public’s knowledge of the factors which enhance and sustain prosperity.

The Trustees use a variety of criteria in order to assess the success of the Institute, including:

- Research
  - The number of research projects successfully undertaken
  - The number of research reports published
- Education
  - The extent to which the research outcomes are cited in the media
  - The number of downloads of the research reports
  - The number of events and the attendance at the events
- Other
  - The extent to which the research findings are used by governments, policy makers, decision makers and societal leaders to assist in formulating policies

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' ANNUAL REPORT (continued)**

The Trustees consider that the wider impact of the Institute's activities will be a general expansion of knowledge of the factors which promote and sustain prosperity and mitigate poverty. The Trustees expect that this in turn will ultimately lead to greater prosperity for all, particularly for those suffering in countries with current low levels of prosperity. The Trustees will continue to review how the Institute's impact is measured to ensure it is tracked and monitored effectively.

### **ACHIEVEMENTS AND PERFORMANCE**

The Institute's flagship research project, the annual Legatum Prosperity Index™, celebrated its twelfth year of publication when it was launched in November 2018. Other highlights are listed below.

#### **Publications**

The Institute published eight major reports in 2018. The 2018 Legatum Prosperity Index™ was launched by our CEO Baroness Stroud and Director of Policy Dr Stephen Brien at Lancaster House in London. Other reports included the final report of the Social Metrics Commission; our first report on Global People Movements; an examination of the mental health of our adolescents in The Maker Generation; and our second examination of Central and Eastern Europe.

#### **Events**

The Institute held 62 events during 2018, attended by several thousand guests. Highlights included the launch of the Social Metrics Commission Report at the Abbey Centre; our fifth annual Summer Party; the launch of the 21<sup>st</sup> Century Success Stories programme at the Institute; and the launch of the 2018 Prosperity Index at the iconic Lancaster House.

#### **Media**

The Institute received a high level of media coverage in 2018, driven by the launch of the inaugural Social Metrics Commission report and the 2018 Legatum Prosperity Index™. The Social Metrics Commission report was referenced and reviewed across the British media, generating around 250 pieces of coverage. This included commentary in key outlets such as the BBC, Financial Times, Independent, ITV News, The Times, and a feature interview in the Guardian.

The Legatum Prosperity Index™ received more than 600 pieces of coverage over the course of the year in publications from more than 30 countries, more than half of which focused on the findings of the 2018 report. This included interviews on BBC News and mentions in key outlets such as City A.M., the Daily Mail, The Times, Australia Business Insider, South China Morning Post, The Irish Times, The Jordan Times, New Zealand National Business Review, Singapore Business Review, Le Temps and The National UAE.

### **FINANCIAL REVIEW**

The Institute had funds of £1,284k as at 31 December 2018, and net current assets of £990k. As detailed below, the Institute receives on-going support from Legatum Foundation Limited, and the Institute is therefore able to meet its obligations as and when they fall due.

The principal sources of income were donations of £2,881k and income from the provision of charitable activities of £982k. Sundry trading income was £7k, giving total income of £3,870k for the year.

#### **Fundraising**

The Institute's external fundraising activities are aimed at a combination of trusts and foundations, private individuals, and corporates. The Institute's fundraising is not targeted towards the public in general. Our approach to fundraising is to seek out those who share a common interest in our areas of research and to explore ways they can partner with us. The Institute employs one full time staff member to fundraise and also retains the services of a small external fundraising consultancy, which shares the same fundraising approach as the Institute.

## THE LEGATUM INSTITUTE FOUNDATION

### TRUSTEES' ANNUAL REPORT (continued)

The Institute has not subscribed to any bodies that promote fundraising standards but the Trustees have reviewed the aims of the UK Fundraising Regulator and will keep under review the potential membership of that body. The Institute has not received any complaints about its fundraising activities or of the activities of any person acting on behalf of the Institute.

#### Going concern

The Institute's core activities are currently funded from income received from Legatum Foundation Limited. Legatum Foundation Limited has reconfirmed a funding commitment through to the end of December 2022 and, for this reason, the Trustees consider the Institute to be a going concern.

#### Reserves Policy

Due to the on-going financial support of Legatum Foundation Limited, the Institute has no current requirement for reserves. As at the year-end, the Institute had positive free reserves of £489k (2017 was £399k). (Free reserves are the unrestricted reserves less amounts represented by tangible fixed assets).

#### Financial risks and uncertainties

The most significant financial risk and uncertainty relates to the continuation of funding after December 2022. The Trustees will liaise closely with Legatum Foundation Limited to ensure that they are informed as to the likely future funding and can take appropriate action.

The Trustees note that the Legatum Prosperity Index™ has been funded and published for the last 12 years, and they anticipate that it will continue to be funded beyond December 2022.

The Institute's main risks arising from its financial instruments relate to liquidity risks and the Institute liaises closely with its principal funder, Legatum Foundation Limited, to manage its cash flows. The Institute has no specific policies regarding financial instrument risk management.

## GOVERNANCE AND MANAGEMENT

The Institute is governed by its Trustees who, during the year and subsequently, were as follows:

Toby Oliver James Baxendale	
Richard Henry Briance	
Alan James McCormick	
Jane Marie Siebels	(Resigned 31 July 2018)
Robert Charles Vickers	
Philippa Claire Stroud	
Simon Edward Brocklebank-Fowler	(Resigned 15 February 2018)
Richard William James Parry	(Appointed 5 July 2018)
Heather Ednah Tsitsi Masiyiwa	(Appointed 28 November 2018)
Arthur Charles Brooks	(Appointed 2 September 2019)

The Trustees confirm that they have had regard to the Charity Commission's guidance on public benefit. The current trustees are already familiar with the practical work of the Institute. New trustees are sought from the fields of entrepreneurship, philanthropy, law, academia and business. Any new trustee is presented with a comprehensive induction, and has the opportunity to discuss their role with a current trustee as well as meet senior staff members and researchers.

The Trustees confirm that they have reviewed the risks that the Institute faces and taken appropriate steps to implement processes to manage those risks.



## THE LEGATUM INSTITUTE FOUNDATION

### TRUSTEES' ANNUAL REPORT (continued)

In the case of each person who was a Trustee at the time this report was approved:

- so far as that Trustee was aware, there was no relevant audit information of which the Institute's auditors were unaware; and
- that Trustee had taken all steps that he/she ought to have taken as a trustee to make himself or herself aware of any relevant audit information and to establish that the Institute's auditors were aware of that information.

The Trustees are responsible for overseeing the overall strategy of the Institute and for ensuring the Executive team delivers that strategy. As part of these responsibilities, the Trustees approve the allocation of resources to the Institute's various programmes.

During the year, the Institute was managed on a day-to-day basis by a Chief Executive Officer. The Institute was supported by a senior team including the Director of Policy, the Director of Communications, and the Chief Operating Officer. This wider team oversees the Institute's various programmes and activities. The Chief Executive Officer's remuneration was reviewed by the Trustees, using criteria that included the achievement of the Institute's strategy and business plans, market data, and the outcome of an appraisal review.

Details of the related parties are set out in the financial statements. The members have the power to appoint and dismiss trustees.

#### **Plans for future periods**

The Institute will continue with its current strategy, as set out above. Specific plans for the coming year include:

- Celebrating the thirteenth year of the Legatum Prosperity Index™
- The launch of the second report of the Social Metrics Commission
- The launch of the Global Index for Economic Openness
- The launch of the US Prosperity Index
- The launch of the Africa Prosperity Report

Approved by and signed on behalf of the Trustees



A J McCormick – Trustee

26 September 2019

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' RESPONSIBILITIES STATEMENT**

The Trustees (who are also directors of the company for the purposes of applicable company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the company for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE FOUNDATION**

### **Opinion**

We have audited the financial statements of The Legatum Institute Foundation for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018, and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Chair's Report and the Trustees' Annual Report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE FOUNDATION (CONTINUED)**

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report incorporates the Directors' Report for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report, which is incorporated within the Trustees' Annual Report, has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report incorporated within the Trustees' Annual Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

### **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, the Trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE FOUNDATION (CONTINUED)****Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Nexia Smith & Williamson*

**Andrew Bond**

Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants  
Date: 27 September 2019

25 Moorgate  
London  
EC2R 6AY

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF FINANCIAL ACTIVITIES (Incorporating the income and expenditure account) for the year ended 31 December 2018

		2018			2017		
	Notes	Un-restricted funds £	Restricted funds £	Total £	Un-restricted funds £	Restricted funds £	Total £
<b>Income and endowments from:</b>							
Donations	4	1,815,900	1,065,221	2,881,121	1,781,371	670,356	2,451,727
Charitable activities	5	75,833	906,195	982,028	94,148	948,732	1,042,880
Other trading activities		7,269	-	7,269	7,509	-	7,509
<b>Total</b>		<u>1,899,002</u>	<u>1,971,416</u>	<u>3,870,418</u>	<u>1,883,028</u>	<u>1,619,088</u>	<u>3,502,116</u>
<b>Expenditure on:</b>							
Raising funds	6	76,791	106,932	183,723	69,034	57,353	126,387
Charitable activities	7	1,778,122	1,558,924	3,337,046	1,803,205	1,419,235	3,222,440
<b>Total</b>		<u>1,854,913</u>	<u>1,665,856</u>	<u>3,520,769</u>	<u>1,872,239</u>	<u>1,476,588</u>	<u>3,348,827</u>
<b>Net income and net movement in funds</b>		44,089	305,560	349,649	10,789	142,500	153,289
Total funds brought forward		<u>751,001</u>	<u>183,000</u>	<u>934,001</u>	<u>740,212</u>	<u>40,500</u>	<u>780,712</u>
<b>Total funds carried forward</b>		<u>795,090</u>	<u>488,560</u>	<u>1,283,650</u>	<u>751,001</u>	<u>183,000</u>	<u>934,001</u>

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF FINANCIAL POSITION as at 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Property, plant and equipment	12	306,198	352,257
Investments in subsidiaries	13	1	1
		<hr/> 306,199 <hr/>	<hr/> 352,258 <hr/>
<b>Current assets</b>			
Debtors	14	68,656	148,942
Cash at bank and in hand		1,180,645	848,083
		<hr/> 1,249,301 <hr/>	<hr/> 997,025 <hr/>
<b>Creditors:</b> amounts falling due within one year	15	(259,070)	(402,502)
		<hr/> 990,231 <hr/>	<hr/> 594,523 <hr/>
<b>Total assets less current liabilities</b>		1,296,430	946,781
Creditors: amounts falling due after more than one year	15	(12,780)	(12,780)
		<hr/> 1,283,650 <hr/>	<hr/> 934,001 <hr/>
<b>Net assets</b>			
<b>Funds</b>	17		
Restricted funds		488,560	183,000
Unrestricted funds		795,090	751,001
		<hr/> 1,283,650 <hr/>	<hr/> 934,001 <hr/>

The financial statements were approved and authorised for issue by the Trustees on 26 September 2019, and were signed on their behalf by:

  
A J McCormick – Trustee

Company number: 07430903

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF CASH FLOWS for the year ended 31 December 2018

	Notes	2018 £	2017 £
<b>Cash flows used in operating activities</b>			
Net cash flow provided by operating activities	18	349,738	(8,728)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(17,176)	(24,372)
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the year</b>		332,562	(33,100)
Cash and cash equivalents as at beginning of the year		848,083	881,183
		<hr/>	<hr/>
<b>Cash and cash equivalents as at end of the year</b>		1,180,645	848,083
		<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank and in hand		1,180,645	848,083
		<hr/> <hr/>	<hr/> <hr/>

The Institute has no debt and so a reconciliation of net debt is not presented.



# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 1 Status of the Institute

The Legatum Institute Foundation (the “Institute”) is a company limited by guarantee and is incorporated, and registered as a charity, in England and Wales. Its registered office address is 11 Charles Street, London, W1J 5DW.

In the event of the Institute being wound up, the liability in respect of the guarantee is limited to £1 per member.

### 2 Accounting policies

The principal accounting policies are summarised below.

#### **Basis of preparation**

These financial statements are prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) and with the Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with FRS 102 issued in 2014 and updated in 2017. The financial statements are also prepared in accordance with the Companies Act 2006 and the Charities Act 2011.

The Institute is a public benefit entity, as defined by FRS 102.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Institute’s accounting policies.

#### **Non-consolidation**

The Institute is exempt from preparing consolidated financial statements because the consolidated financial statements would not be materially different from the entity financial statements. Accordingly, these financial statements present information about the Institute as an entity.

#### **Going concern**

The Trustees have prepared the financial statements using the going concern basis.

Over half of the Institute’s income is derived from Legatum Foundation Limited (see notes 4, 5 and 21), either in the form of sponsorship income or donations. The sponsorship income is paid in accordance with an enduring contract; however this contract can be terminated by either party by giving three months’ notice. The Institute has no contractual right to the donations, although Legatum Foundation Limited has pledged to continue to provide funding until the end of 2022.

The Trustees are confident that Legatum Foundation Limited will continue to provide sufficient funds to the Institute to enable it to continue its activities for the foreseeable future and for this reason they have adopted the going concern basis for the preparation of the financial statements.

#### **Revenue**

Revenue from exchange contracts is measured at the fair value of the right to consideration and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

Sponsorship income is recognised as the services are provided, based on the Trustees' best estimate of progress against the relevant contract and amounts which will ultimately become due under the contract.

Fundraising trading income is recognised as the services are provided.

Income from non-exchange transactions is recognised when the Institute has entitlement to the income, when the income can be reliably measured and when it is more probable than not that the Institute will receive the income. Specifically, donations are included in the financial statements when received or, in the case of donations from Legatum Foundation Limited, when the Institute is notified of them.

To the extent that they are material, any donated services are recognised at their estimated value to the Institute.

#### **Expenses**

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the Institute in the delivery of its charitable activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Indirect costs are apportioned to charitable activities and other activities based on the estimated proportion of time incurred by support staff in supporting the various activities.

#### **Foreign currencies**

Transactions denominated in a foreign currency are translated into Sterling at the rate of exchange ruling at the date of the transaction. At the Statement of Financial Position date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the income and expenditure account.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the Statement of Financial Position date, all leases are classified as operating leases.

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

#### **Employee benefits**

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the Statement of Financial Position. Redundancy and similar costs are recognised when the relevant employees have been informed that a redundancy programme has commenced.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Pension scheme

The Institute operates a defined contribution plan. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Institute in independently administered funds.

#### Fund accounting

Incoming resources from non-exchange transactions are categorised as restricted when the counter-party imposes restrictions as to the use of the funds. Any interest earned on restricted funds is also categorised as restricted income. All other incoming resources are categorised as unrestricted.

Direct and indirect expenditure relating to restricted income is categorised as restricted expenditure to the extent that it is covered by available restricted funds; any excess expenditure is classified as unrestricted. Any direct costs associated with gaining restricted fundraising income are treated as restricted only to the extent that the costs are directly related to the associated income. All other fundraising costs are classed as unrestricted.

#### Property, plant and equipment

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used on a straight line basis:

Leasehold improvements	-	Shorter of lease term or useful life
Computer equipment	-	33% (3 years)

#### Impairment of non-financial assets

At each Statement of Financial Position date, tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest relevant levels; for assets used for charitable purposes, the levels are considered by reference to separately identifiable charitable activities; for those assets used for fundraising trading purposes, the levels used are those for which there are separately identifiable cash flows. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Financial Activities.

#### Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Institute becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Institute will not be able to collect all amounts due.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Institute's cash management.

Other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable, which is ordinarily equal to the proceeds received. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

#### **Taxation**

The Institute is exempt from tax on its activities provided that the surpluses are used for charitable activities. Therefore no provision for direct or deferred tax arises.

#### **3 Key judgements and sources of estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period.

#### **Judgements**

The most significant judgement made by the Trustees in preparing the financial statements relates to the use of the going concern basis for the preparation of the financial statements, as described in note 2.

Other judgements relate to the basis on which support costs are allocated to the various activities of the Institute (note 8).

#### **Estimation uncertainty**

The only significant sources of estimation uncertainty relate to the expected useful economic life of the property, plant and equipment, and the method by which support costs are apportioned to charitable and other activities. The useful economic lives of property, plant and equipment are detailed above. Support costs are apportioned on the estimated time that relevant staff spend supporting on each charitable and other activity; this is estimated based on the direct expenditure for each activity.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

	2018	2017
	£	£
Unrestricted:		
Legatum Foundation Limited	1,413,696	1,745,477
Other	402,204	35,894
	<u>1,815,900</u>	<u>1,781,371</u>
Restricted:		
Legatum Foundation Limited	-	-
Other	1,065,221	670,356
	<u>1,065,221</u>	<u>670,356</u>
	<u>2,881,121</u>	<u>2,451,727</u>

	Cultural Transformation £	Centre for Metrics £	Trade £	Global People Movements £	Inter- national Develop- ment £	Other £	Total £
Year ended 31 December 2018	12,000	785,602	105,000	75,000	-	87,619	1,065,221
	Cultural Transformation £	Centre for Metrics £	Trade £	Global People Movements £	Inter- national Develop- ment £	Other £	Total £
Year ended 31 December 2017	40,000	16,722	486,769	-	-	126,865	670,356

International Development is a new programme in the current year.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 5 Income from charitable activities

<b>Year ended 31 December 2018</b>	<b>Cultural Transfor- mation £</b>	<b>Centre for Metrics £</b>	<b>Trade £</b>	<b>Global People Movements £</b>	<b>Inter- national Develop- ment £</b>	<b>Other £</b>	<b>Total £</b>
Restricted income	100,000	534,712	52,351	100,132	50,000	69,000	906,195
Unrestricted income							75,833
							982,028

<b>Year ended 31 December 2017</b>	<b>Cultural Transfor- mation £</b>	<b>Centre for Metrics £</b>	<b>Trade £</b>	<b>Global People Movements £</b>	<b>Inter- national Develop- ment £</b>	<b>Other £</b>	<b>Total £</b>
Restricted income	154,032	459,050	225,100	-	-	110,550	948,732
Unrestricted income							94,148
							1,042,880

The income from charitable activities primarily relates to amounts paid by Legatum Foundation Limited for undertaking various programmes of work (2018: £818,132; 2017: £818,132).

### 6 Analysis of expenditure on fundraising activities - costs of raising voluntary income

<b>Year ended 31 December 2018</b>	<b>Direct costs £</b>	<b>Support costs £</b>	<b>Total £</b>
Professional fees	106,932	-	106,932
Staff costs	-	76,791	76,791
Total	106,932	76,791	183,723

**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)**

**6 Analysis of expenditure on fundraising activities (continued)**

<b>Year ended 31 December 2017</b>	<b>Direct costs</b>	<b>Support costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Professional fees	57,353	-	57,353
Staff costs	-	69,034	69,034
Total	57,353	69,034	126,387

**7 Analysis of expenditure on charitable activities**

<b>Year ended 31 December 2018</b>	<b>Cultural Transformation</b>	<b>Centre for Metrics</b>	<b>Trade</b>	<b>Global People Movements</b>	<b>Inter-national Development</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Staff costs	9,339	451,477	112,340	12,143	49,568	90,877	725,744
Travel and entertainment	9,771	19,045	263	691	183	583	30,536
Office overheads	400	60	12	12	-	-	484
Stationary, postage and publications	-	2,173	1,034	-	-	-	3,207
IT and communications	5,951	67,013	618	-	-	-	73,582
Advertising, events and conferences	80,609	136,798	2,473	10,893	5,578	28,923	265,274
Professional fees	8,300	168,475	42,603	101,444	8,851	49,800	379,473
Recovered VAT	(7,248)	(23,031)	(3,687)	(18,360)	(307)	(5,358)	(57,991)
Total direct costs	107,122	822,010	155,656	106,823	63,873	164,825	1,420,309
Allocated support costs (note 8)	144,563	1,109,320	210,061	144,160	86,198	222,435	1,916,737
Total	251,685	1,931,330	365,717	250,983	150,071	387,260	3,337,046

**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)**

**7 Analysis of expenditure on charitable activities (continued)**

<b>Year ended 31 December 2017</b>	<b>Cultural Transfor- mation £</b>	<b>Centre for Metrics £</b>	<b>Trade £</b>	<b>Global People Move- ments £</b>	<b>Inter- national Develop- ment £</b>	<b>Other £</b>	<b>Total £</b>
Staff costs	90,439	180,449	301,776	29,388	-	157,648	759,700
Travel and entertainment	1,995	6,939	107,446	-	-	649	117,029
Office overheads	-	-	2,970	-	-	-	2,970
Stationary, postage and publications	2,004	25,848	27,061	-	-	3,685	58,598
IT and communications	43	143,389	639	-	-	-	144,071
Advertising, events and conferences	44,070	66,569	18,610	-	-	2,881	132,130
Professional fees	17,356	95,910	61,019	-	-	87,000	261,285
Recovered VAT	(540)	(46,058)	(14,804)	-	-	(4,018)	(65,420)
<b>Total direct costs</b>	<b>155,367</b>	<b>473,046</b>	<b>504,717</b>	<b>29,388</b>	<b>-</b>	<b>247,845</b>	<b>1,410,363</b>
Allocated support costs (note 8)	199,620	607,784	648,476	37,759	-	318,438	1,812,077
<b>Total</b>	<b>354,987</b>	<b>1,080,830</b>	<b>1,153,193</b>	<b>67,147</b>	<b>-</b>	<b>566,283</b>	<b>3,222,440</b>

**8 Support costs**

Support costs are allocated as follows:

	<b>2018 £</b>	<b>2017 £</b>
Raising funds	76,791	69,034
Cultural Transformation	144,563	199,620
Centre for Metrics	1,109,320	607,784
Trade	210,061	648,476
Global People Movements	144,160	37,759
International Development	86,198	-
Other	222,435	318,438
<b>Charitable activities</b>	<b>1,916,737</b>	<b>1,812,077</b>
<b>Total</b>	<b>1,993,528</b>	<b>1,881,111</b>



# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 8 Support costs (continued)

Support costs apportioned to raising funds are based on the direct costs relating to the estimated time spent by the relevant staff on the trading activities, plus a corresponding proportion of other support costs incurred. The remaining support costs have been apportioned to the charitable activities in proportion to the direct costs.

<b>Year ended 31 December 2018</b>	<b>Communi- cations and Marketing £</b>	<b>Centre and Operations £</b>	<b>Gover- nance £</b>	<b>Total £</b>
Staff costs	292,487	589,345	-	881,832
Travel and entertainment	856	18,836	-	19,692
Office overheads	768	623,934	-	624,702
Repairs and maintenance	-	46,046	-	46,046
Stationary, postage and publications	20,778	11,725	-	32,503
IT and communications	17,073	103,939	-	121,012
Advertising, events and conferences	36,936	42,286	-	79,222
Professional fees	179	89,511	-	89,690
Depreciation	-	63,235	-	63,235
Governance (note 9)	-	-	58,101	58,101
Recovered VAT	(2,040)	(20,467)	-	(22,507)
<b>Total</b>	<b>367,037</b>	<b>1,568,390</b>	<b>58,101</b>	<b>1,993,528</b>

<b>Year ended 31 December 2017</b>	<b>Communi- cations and Marketing £</b>	<b>Centre and Operations £</b>	<b>Gover- nance £</b>	<b>Total £</b>
Staff costs	274,305	494,400	-	768,705
Travel and entertainment	6,244	10,930	-	17,174
Office overheads	3,096	613,250	-	616,346
Repairs and maintenance	-	49,367	-	49,367
Stationary, postage and publications	35,674	4,626	-	40,300
IT and communications	16,681	92,431	-	109,112
Advertising, events and conferences	31,747	19,929	-	51,676
Professional fees	21,546	80,826	-	102,372
Depreciation	-	64,619	-	64,619
Governance (note 9)	-	-	82,339	82,339
Recovered VAT	(2,863)	(18,036)	-	(20,899)
<b>Total</b>	<b>386,430</b>	<b>1,412,342</b>	<b>82,339</b>	<b>1,881,111</b>

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 9 Governance costs

	2018	2017
	£	£
Audit fee	11,870	11,520
Legal and professional	46,231	70,819
	<hr/>	<hr/>
Total	58,101	82,339
	<hr/>	<hr/>

### 10 Employee information

	2018	2017
	£	£
Wages and salaries	1,280,038	1,219,514
Social security costs	144,300	144,449
Pension costs	56,832	32,561
	<hr/>	<hr/>
	1,481,170	1,396,524
	<hr/>	<hr/>

The average number of persons, including directors, employed throughout the year by the Institute was:

	2018	2017
	Number	Number
Cultural Transformation	-	1
Centre for Metrics	6	4
Trade	1	2
International Development	1	-
Other	1	2
Fundraising	2	2
Communications and Marketing	4	2
Centre and Operations	7	4
	<hr/>	<hr/>
Total	22	17
	<hr/>	<hr/>

### Trustees' remuneration

Philippa Stroud received remuneration of £168,355 (2017: £153,000) and pension contributions of £17,000 (2017: £17,000) in her role as Chief Executive Officer, as approved by the Charity Commission. No other Trustees received any remuneration (2017: nil); no Trustees received expenses in the year (2017: £nil).

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 10 Employee information (continued)

#### Key management remuneration

Key management are defined as being the Trustees and the Chief Executive Officer. Key management remuneration (which includes national insurance contributions and pension costs) was £207,413 (2017: £189,990).

#### Redundancy costs

During the year, redundancy costs of nil (2017: £31,999) were incurred and paid by the Institute.

#### Higher paid employees

The number of staff whose emoluments were in excess of £60,000 per annum was as follows:

	2018 Number	2017 Number
£60,001 - £70,000	2	-
£70,001 - £80,000	-	2
£80,001 - £90,000	2	1
£110,001 - £120,000	1	-
£120,001 - £130,000	1	-
£150,001 - £160,000	-	1
£160,001 - £170,000	1	-
£190,001 - £200,000	-	1
	<hr/>	<hr/>

### 11 Surplus on ordinary activities is stated after charging / (crediting):

	2018 £	2017 £
Depreciation	63,235	64,619
Foreign exchange gains	(5,363)	(6,741)
Operating leases – land and buildings (see notes 20 and 21)	216,057	517,917
Services provided by the company's auditor		
For audit services	11,870	11,520
For other services:		
Accounts preparation	3,190	3,190
Tax compliance work	4,285	3,880
Maintenance of payroll	6,880	6,715
	<hr/>	<hr/>

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 12 Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Total £
<b>Cost</b>			
As at 1 January 2018	669,248	66,750	735,998
Additions	730	16,446	17,176
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2018</b>	<b>669,978</b>	<b>83,196</b>	<b>753,174</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
As at 1 January 2018	351,015	32,726	383,741
Charge for the year	46,341	16,894	63,235
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2018</b>	<b>397,356</b>	<b>49,620</b>	<b>446,976</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
As at 31 December 2018	272,622	33,576	306,198
	<hr/>	<hr/>	<hr/>
As at 1 January 2018	318,233	34,024	352,257
	<hr/>	<hr/>	<hr/>

### 13 Investments in subsidiaries

<b>Cost</b>	<b>£</b>
As at 1 January 2018 and 31 December 2018	1
	<hr/>

The Institute owns 100% of the issued share capital of LIF Trading Limited, a company incorporated in England and Wales. Its registered address is 11 Charles Street, London, W1J 5DW. The company has not traded since incorporation and has issued share capital of £1.

### 14 Debtors

	2018 £	2017 £
<b>Debtors: amounts falling due within one year</b>		
Trade debtors	-	61,503
Prepayments and accrued income	40,027	64,025
Other debtors	28,629	21,594
Amounts owed by group undertakings	-	1,820
	<hr/>	<hr/>
	<b>68,656</b>	<b>148,942</b>
	<hr/>	<hr/>

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 15 Creditors

	2018	2017
	£	£
<b>Creditors: amounts falling due within one year</b>		
Trade creditors	107,726	47,481
Accruals and other creditors	104,358	231,987
Deferred income	3,333	65,833
Other tax and social security	43,653	57,201
	<u>259,070</u>	<u>402,502</u>
<b>Creditors: amounts falling due after more than one year</b>		
Related party loans (note 21)	12,780	12,780
	<u>12,780</u>	<u>12,780</u>

The movement in deferred income in the year was as follows:

	2018	2017
	£	£
As at 1 January 2018	65,833	90,208
Income received and deferred	13,333	107,500
Released to income	(75,833)	(131,875)
	<u>3,333</u>	<u>65,833</u>

Income is deferred as it relates to charitable services which are to be provided over future periods.

### 16 Financial instruments

	2018	2017
	£	£
Financial assets measured at fair value – cash at bank and in hand	<u>1,180,645</u>	<u>848,083</u>

There is no income arising or charge to expenditure from holding these financial instruments.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

### 17 Funds

Year ended 31 December 2018	Opening balance £	Income £	Expend- iture £	Closing balance £
<b>Restricted funds</b>				
Cultural Transformation	38,000	112,000	107,170	42,830
Centre for Metrics	7,000	1,320,314	1,006,924	320,390
Trade	122,000	157,351	203,961	75,390
Global People Movement	-	175,132	125,182	49,950
International Development	-	50,000	50,000	-
Other	16,000	156,619	172,619	-
	183,000	1,971,416	1,665,856	488,560
Unrestricted funds	751,001	1,899,002	1,854,913	795,090
	934,001	3,870,418	3,520,769	1,283,650
<b>Year ended 31 December 2017</b>				
	£	£	£	£
<b>Restricted funds</b>				
Cultural Transformation	-	194,032	156,032	38,000
Centre for Metrics	40,500	475,772	509,272	7,000
Trade	-	711,869	589,869	122,000
Other	-	237,415	221,415	16,000
	40,500	1,619,088	1,476,588	183,000
Unrestricted funds	740,212	1,883,028	1,872,239	751,001
	780,712	3,502,116	3,348,827	934,001

The restricted funds relate to the Institute's various programmes, as follows:

- Cultural Transformation – serves to create a movement of people who seek to transform culture for the better using their own unique skills and talents. This programme is aimed at multiple sectors and industries; its research and findings are applicable to government, charities, the private sector, and the public at large.
- Centre for Metrics – the study of and measurement of countries' success against a broad set of metrics covering areas such as health, education, opportunity, social capital and personal freedom.
- Trade – focused on the key economic drivers of future prosperity and long-term GDP growth.
- Global People Movement – studying the mass movements of people across borders in the form of refugees, migration, and trafficking.
- International Development – looking at the historical, cultural, and economic reasons why poor nations develop and succeed and the lessons that can be learned from them.

## THE LEGATUM INSTITUTE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

- Other – funds relate to programmes entitled Effective Government, The Country We Want To Be, and Populism.

#### 18 Reconciliation of net income to cash flows from operating activities

	2018	2017
	£	£
Net income for the year as per the Statement of Financial Activities	349,649	153,289
Adjustments for:		
Depreciation	63,235	64,619
Movement in debtors	80,286	(66,408)
Movement in creditors due within one year	(143,432)	(160,762)
Movement in creditors due after more than one year	-	534
	<u>349,738</u>	<u>(8,728)</u>

#### 19 Capital commitments

There were no capital commitments as at the year-end (2017: none).

#### 20 Operating lease commitments

As at 31 December 2018, the future minimum lease payments for each of the following periods was as follows:

	2018	2017
	£	£
Within one year	1	565,000
Between two and five years	4	2,260,000
Greater than five years	3	2,495,417
	<u>8</u>	<u>5,320,417</u>

During the year the lease was amended and from 1 July 2018 the rent was reduced to £1 per annum (see note 21)

The lease expires on 31 May 2027 with a break date of 1 June 2022; either the landlord or the Institute can exercise the break clause by giving six months' notice.

## THE LEGATUM INSTITUTE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018 (continued)

#### 21 Related party transactions

One of the trustees is a member of a limited liability partnership which controls Legatum Foundation Limited a company registered in Bermuda. The Institute received gifts in the form of donations, and sponsorship income, from Legatum Foundation Limited as detailed in the relevant notes to these financial statements. The donations were unrestricted as to their use and otherwise unconditional. As at the year end, the balance due to Legatum Foundation Limited was £12,780 (2017: £12,780).

In addition, a US registered charity of the same name as the Institute has four trustees in common with the Institute and raises funds for the Institute. Donations of £nil (2017: £126,887) were received from this US charity and as at the year end, it owed £nil (2017: nil) to the Institute.

As at the year end, a balance of £nil (2017: £1,820) was due from LIF Trading Limited, the Institute's 100% owned subsidiary (see note 13).

The Institute is party to a lease with Basswood Properties Limited, a company registered in the British Virgin Islands. This company is a related party as it is controlled by the limited liability partnership referred to above. During the year, the lease was varied so that from 1 July 2018 only nominal rent of £1 per annum was payable. The rent paid to Basswood Properties was £282,500 for the period to 30 June 2018 and £1 subsequently (2017: £565,000 for the full year); as at the year end, there were no amounts outstanding. Unrestricted donations and rent payable include the estimated fair value to the Institute of the rent forgone by Basswood Properties for the period from 1 July 2018.