

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 2019



THE LEGATUM INSTITUTE FOUNDATION

CONTENTS

PAGE

Trustees and advisers	1
Chair's report	2
Trustees' annual report	4
Trustees' responsibilities statement	9
Independent auditor's report to the members of The Legatum Institute Foundation	10
Statement of financial activities	13
Statement of financial position	14
Statement of cash flows	15
Notes to the financial statements	16

THE LEGATUM INSTITUTE FOUNDATION

TRUSTEES AND ADVISERS

Trustees

Toby Oliver James Baxendale
Richard Henry Briance
Arthur Charles Brooks
Heather Ednah Tsitsi Masiyiwa
Alan James McCormick
Richard William James Parry
Philippa Claire Stroud
Robert Charles Vickers

Senior management personnel

Philippa Stroud, Chief Executive Officer
Stephen Brien, Director of Policy
David Wesson, Managing Director
Jo Nussbaum, 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

For the Legatum Institute Foundation (the "Institute"), 2019 was a year of activity, excitement, and impact. Our metrics work continued to deepen and develop with the publication of our flagship Indexes in addition to specific reports that examined prosperity in particular region or nations of the world. We furthered the work of our Global Index of Economic Openness (GIEO) by publishing six country case studies as well as the new index itself. We continued to strengthen our work on the global refugee crisis with the publication of two reports. We announced the recipient of our annual Courage in Journalism Award. And we continued our work on cultural transformation with a series of six 'character' lectures and a further programme of lectures, dinners, and seminars as part of our Forum programme.

The Institute exists to identify and create the pathways that lead from poverty to prosperity. This ambition runs through all of our work as we seek practical solutions to major challenges. Our Centre for Metrics work explores how prosperity is forming and changing around the world, culminating in the launch of our signature annual publication, the Global Prosperity Index. Two other major multi-year projects – the Global Index of Economic Openness (GIEO) and the US Prosperity Index – continued to develop and strengthen throughout the year. The GIEO measures and assesses the ability of nations around the world to thrive economically by engaging in open trade and other commercial activity. The US Prosperity Index applies our unique view of prosperity to every US state to assess how prosperity is forming and changing in America. The first US Prosperity Index was launched in Washington DC in July 2019 and is already beginning to have impact as it is used by policymakers and academics across the US.

In addition to this, our programmes looking at Global People Movements, International Development, and Peace and Reconciliation continued to mature and develop their scope of research. We published two ground-breaking reports on migration, the first of which examined four regions of the world that are responsible for the majority of the world's migration, refugees, and displaced persons; the second report zeroed-in on the four nations of the world from which most necessity driven migration originates. These reports helped us to further the global understanding of these issues, bring much-needed light and clarity to the issue of migration, and to put forward clear-eyed solutions.

The Institute also grew its Road to Character and Forum programmes, hosting a diverse range of speakers from around the world to discuss important global themes and to consider the role of character in the transformation of society. Topics covered within our 'character' series included trust, civility, compassion.

The Institute held a total of 68 events during 2019 many of which were hosted in the UK while others were convened in countries including India, Romania, and Indonesia. We also held our sixth annual Summer Party which as an opportunity to welcome guests to our central London office. We hosted three lectures in our Forum series in which we welcomed speakers such as journalist Natasha Kaplinsky and businessman James Timpson. We also held our now annual Courage in Journalism Award ceremony which honours and remembers journalists who have been killed in the course of doing their job.

Through the Institute's programme of work, our events, and our meetings, thousands of people were able to engage with our work and learn about concepts of economic, political, and social policy. Throughout the year, the Institute hosted events with a wide and diverse collection of speakers representing a variety of views on different subjects. These speakers included, among others: Her Excellency Yamina Karitanyi (High Commissioner for the Republic of Rwanda to the United Kingdom), Arthur Brooks, Lord Dubs, David Brooks, Baroness O'Neill, Dr Liam Fox MP and Tom Holland.

The Institute published 14 major reports in 2019, including a new United States Prosperity Index. Launched in July, the Index offers a deeper understanding of prosperity across the 50 states (plus Washington D.C.) allowing policymakers to understand why the country's undeniable long-term economic success is not translating fully into social wellbeing. The report also provides insight to show where targeted policy interventions could help each state become more prosperous.

THE LEGATUM INSTITUTE FOUNDATION

CHAIR'S REPORT (continued)

Our Global Index of Economic Openness, which we launched in 2019, aims to provide the international community with a tool to identify and tackle economic inequality. The Index ranks more than 150 countries' openness to commerce, assessing the environment that enables (or hinders) their ability to trade domestically and internationally. As part of this programme we have also published in-depth country case studies on the UK, USA, Romania, Indonesia, India, and Ghana, with plans to publish further case studies on Colombia, Morocco, Egypt, and Zimbabwe in 2020.

In 2019 we published our third study on prosperity in Central and Eastern Europe which focused on living standards, education, and health across the region. Our Social Metrics Commission published a further report looking at the state of poverty in the UK plus an associated report on equivalisation in poverty measures. And our flagship global Prosperity Index was published in November.

The Institute continued to maintain a strong digital and global media presence throughout 2019. The LI.com website received approximately 130,000 visitors who downloaded 10,000 pieces of content. The Institute posted more than 500 tweets, achieving more than 2,000,000 impressions, 5,400 click-throughs, and 1,200 retweets. In addition, we generated more than 2,100 pieces of media coverage across more than 57 countries. This included articles and appearances in major international publications such as BBC News, Bloomberg, Channel 4, CNBC, Daily Mail, The Daily Telegraph, Financial Times, Forbes, The Guardian, Reuters, Sky News, The Times, and The Washington Post.

The Institute continued to increase its external fundraising efforts which further diversified and expanded our funding base. Throughout the year, in addition to donations received from Legatum Foundation Limited, the Institute raised over £1.2 million from 28 separate donors covering a mix of individuals, businesses and trusts.

In 2020, we will continue to advance our mission of helping individuals, communities, and nations move from poverty to prosperity, evolving and developing our programmes while also tackling new challenges. We do so, fully aware that none of this would be possible without the dedication and support of our hard-working staff and our growing community of supporters and donors.

At times over recent years, it has felt like optimism has been in short supply. Around the world we have seen political instability, economic uncertainty, and a coarsening of public debate. While there is much to be concerned about, personally I am incredibly optimistic about the future. When I step back and review the big picture of development, I see a world where poverty is in decline, life expectancy is rising, famine is at its lowest ever level, innovation and entrepreneurship are on the rise, and global prosperity is increasing. The role of the Institute is to track these trends and contribute to the policies that will aid further progress. I believe we are well placed to achieve this, and I am excited to see what the coming years have in store for us. I hope you will join us on our journey.

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 2019.

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 2020 and beyond, with the Institute bringing in additional programmatic work to extend its educational reach to greater audiences around the world.

In 2019, the Institute ran dedicated research programmes, including Centre for Metrics, the Africa Prosperity Report, Global People Movements, Peace and Reconciliation, and 21st Century International Development. 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 the performance of 167 countries across 12 pillars, underpinned by 65 policy-focused elements, to provide a comprehensive and holistic picture of prosperity. The Index is designed to be a transformational tool that leaders around the world can use to help set their agendas for growth and development, and that others can use to hold them to account.

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 and 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 around the conditions that 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 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 thirteenth year of publication when it was launched in November 2019. Other highlights are listed below.

Publications

The Institute published 14 major reports in 2019. The 2019 Legatum Prosperity Index™ was launched by our CEO Baroness Stroud and Director of Policy Dr Stephen Brien at the Royal Institute for British Architects in London. Other reports included the inaugural US Prosperity Index and the Global Index of Economic Openness.

Events

The Institute held 68 events during 2019. Highlights included international events held in connection with our GEO programme which included conferences and briefings in Romania, Indonesia, and India; our sixth annual Summer Party; quarterly lectures in our Forum series; the annual Courage in Journalism Award ceremony; and the launch of the 2019 Prosperity Index. Our events also include our work on cultural transformation and Forum.

Media

The Institute received a high level of media coverage in 2019, driven primarily by the second Social Metrics Commission report. 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.

In addition, we generated more than 2,100 pieces of media coverage in 2019 across more than 57 countries. This included articles and appearances in major international publications such as BBC News, Bloomberg, Channel 4, CNBC, Daily Mail, The Daily Telegraph, Financial Times, Forbes, The Guardian, Reuters, Sky News, The Times, and The Washington Post.

FINANCIAL REVIEW

The Institute had funds of £1.4m as at 31 December 2019 (£1.3 million as at 31 December 2018), and net current assets of £1.1m (2018 - £1.0m). 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 £2.9m and income from the provision of charitable activities of £0.9m. Sundry trading income was £0.03m, giving total income of £3.8m for the year. Comparative figures were: donations - £2.9m, charitable activities - £1.0m, total income - £3.9m,

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 £541.8k (2018 was £488.9k). (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 13 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
Robert Charles Vickers
Philippa Claire Stroud
Richard William James Parry
Heather Ednah Tsitsi Masiyiwa
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.

Post balance sheet events – COVID-19

In March 2020, shortly before the UK Government announced a national lockdown in response to the Covid-19 pandemic, the Institute moved all of its staff to home-based working. In addition, the Institute cancelled all upcoming international travel plans and moved all scheduled events to an online format. Aside from these logistical changes, the Institute has been able to continue its programme of activity and has continued to publish research as planned. All subsequent events have been hosted on video platforms which has enabled the Institute to continue to reach a broad global audience. Throughout this time, the Institute has maintained a steady income and has continued its future fundraising activities. (See also note 21 to the financial statements). In September 2020, the Institute's staff returned to office-based work having followed all UK government guidance in relation to social distancing, risk management, and workplace hygiene.

Plans for future periods

The Institute will continue with its programme of research, analysis, and events. The Institute sees its role as creating a global movement of people committed to creating the pathways from poverty to prosperity, and the transformation of society.

It will do this through:

- Raising up leaders of character
- Restoring an ethical vitality to all sectors of society
- Developing the practical solutions and data tools that will help build:
 - Open economies
 - Empowered people
 - Inclusive and peaceful societies

Specific plans for the coming year include:

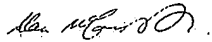
- Celebrating the fourteenth year of the Legatum Prosperity Index™
- The launch of the third report of the Social Metrics Commission

THE LEGATUM INSTITUTE FOUNDATION

TRUSTEES' ANNUAL REPORT (continued)

- The ongoing Global Index for Economic Openness programme
- The launch of the second US Prosperity Index
- The launch of the Africa Prosperity Report and accompanying impact programme

Approved by and signed on behalf of the Trustees on 24 September 2020



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A J McCormick – Trustee

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 2019 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 2019, 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.

Emphasis of Matter: post balance sheet event – COVID-19

We draw attention to note 21 of the financial statements, which show the impact of Covid-19 on the charitable company. Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE
FOUNDATION (CONTINUED)****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. This description forms part of our auditor's report.

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: 19 October 2020

25 Moorgate
London
EC2R 6AY

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

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.

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 9, 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.

THE LEGATUM INSTITUTE FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating the income and expenditure account) for the year ended 31 December 2019

	Notes	2019			2018		
		Un- restricted funds £	Restricted funds £	Total £	Un- restricted funds £	Restricted funds £	Total £
Income and endowments from:							
Donations	4	1,782,536	1,106,081	2,888,617	1,815,900	1,065,221	2,881,121
Charitable activities	5	3,333	879,244	882,577	75,833	906,195	982,028
Other trading activities		2,314	24,904	27,218	7,269	-	7,269
Total		1,788,183	2,010,229	3,798,412	1,899,002	1,971,416	3,870,418
Expenditure on:							
Raising funds	6	50,331	52,876	103,207	76,791	106,932	183,723
Charitable activities	7	1,726,367	1,893,369	3,619,736	1,778,122	1,558,924	3,337,046
Total		1,776,698	1,946,245	3,722,943	1,854,913	1,665,856	3,520,769
Net income and net movement in funds		11,485	63,984	75,469	44,089	305,560	349,649
Total funds brought forward		795,090	488,560	1,283,650	751,001	183,000	934,001
Total funds carried forward		806,575	552,544	1,359,119	795,090	488,560	1,283,650

THE LEGATUM INSTITUTE FOUNDATION

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Property, plant and equipment	12	264,732	306,198
Investments in subsidiaries	13	1	1
		<u>264,733</u>	<u>306,199</u>
Current assets			
Debtors	14	125,473	68,656
Cash at bank and in hand		1,158,279	1,180,645
		<u>1,283,752</u>	<u>1,249,301</u>
Creditors: amounts falling due within one year	15	(189,366)	(259,070)
		<u>1,094,386</u>	<u>990,231</u>
Total assets less current liabilities		1,359,119	1,296,430
Creditors: amounts falling due after more than one year	15	-	(12,780)
		<u>1,359,119</u>	<u>1,283,650</u>
Net assets			
		<u>1,359,119</u>	<u>1,283,650</u>
Funds	17		
Restricted funds		552,544	488,560
Unrestricted funds		806,575	795,090
		<u>1,359,119</u>	<u>1,283,650</u>

The financial statements were approved and authorised for issue by the Trustees on 24 September 2020, and were signed on their behalf by:

A J McCormick

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A J McCormick – Trustee

Company number: 07430903

THE LEGATUM INSTITUTE FOUNDATION

STATEMENT OF CASH FLOWS for the year ended 31 December 2019

	Notes	2019 £	2018 £
Cash flows used in operating activities			
Net cash flow provided by operating activities	18	(3,636)	349,738
Cash flows from investing activities			
Purchase of property, plant and equipment		(18,730)	(17,176)
Change in cash and cash equivalents in the year		(22,366)	332,562
Cash and cash equivalents as at beginning of the year		1,180,645	848,083
Cash and cash equivalents as at end of the year		1,158,279	1,180,645
Analysis of cash and cash equivalents			
Cash at bank and in hand		1,158,279	1,180,645

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 2019

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 2018. 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 20), 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 2019 (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 2019 (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 2019 (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.

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (continued)

4 Income from donations

	2019 £	2018 £
Unrestricted:		
Legatum Foundation Limited	1,139,275	1,413,696
Other	643,261	402,204
	<u>1,782,536</u>	<u>1,815,900</u>
Restricted:		
Legatum Foundation Limited	-	-
Other	1,106,081	1,065,221
	<u>1,106,081</u>	<u>1,065,221</u>
	<u>2,888,617</u>	<u>2,881,121</u>

Unrestricted other donations include the value of the notional rent of £565,000 (2018: £282,500), see note 20.

The restricted donations are analysed as follows:

	Cultural Transfor- mation £	Centre for Metrics £	Trade £	Global People Movements £	Inter- national Develop- ment £	Other £	Total £
Year ended 31 December 2019	32,245	952,421	-	94,340	27,075	-	1,106,081
	<u>32,245</u>	<u>952,421</u>	<u>-</u>	<u>94,340</u>	<u>27,075</u>	<u>-</u>	<u>1,106,081</u>
	Cultural Transfor- mation £	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
	<u>12,000</u>	<u>785,602</u>	<u>105,000</u>	<u>75,000</u>	<u>-</u>	<u>87,619</u>	<u>1,065,221</u>

Other comprises Effective Government, The Country We Want To Be and Populism.

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 2019 (continued)

5 Income from charitable activities

Year ended 31 December 2019	Cultural Transfor- mation £	Centre for Metrics £	Trade £	Global People Movements £	Inter- national Develop- ment £	Other £	Total £
Restricted income	95,000	734,112	-	25,132	25,000	-	879,244
Unrestricted income							3,333
							882,577

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

The income from charitable activities primarily relates to amounts paid by Legatum Foundation Limited for undertaking various programmes of work (2019: £818,132; 2018: £818,132).

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

Year ended 31 December 2019	Direct costs £	Support costs £	Total £
Professional fees	52,876	-	52,876
Staff costs	-	50,331	50,331
Total	52,876	50,331	103,207

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (continued)

6 Analysis of expenditure on fundraising activities (continued)

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

7 Analysis of expenditure on charitable activities

Year ended 31 December 2019	Cultural Transformation	Centre for Metrics	Trade	Global People Movements	Inter-national Development	Other	Total
	£	£	£	£	£	£	£
Staff costs	69,465	757,628	-	113,649	52,538	-	993,280
Travel and entertainment	6,064	144,688	-	508	419	-	151,679
Office overheads	931	236	-	-	22	-	1,189
Stationary, postage and publications	145	17,336	-	62	-	-	17,543
IT and communications	-	69,361	-	-	-	-	69,361
Advertising, events and conferences	105,044	165,502	-	3,356	-	-	273,902
Professional fees	9,541	256,206	-	12,288	-	-	278,035
Recovered VAT	(9,375)	(25,989)	-	(1,809)	(958)	-	(38,131)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total direct costs	181,815	1,384,968	-	128,054	52,021	-	1,746,858
Allocated support costs (note 8)	194,931	1,484,881	-	137,292	55,774	-	1,872,878
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	376,746	2,869,849	-	265,346	107,795	-	3,619,736
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (continued)

7 Analysis of expenditure on charitable activities (continued)

Year ended 31 December 2018	Cultural Transfor- mation £	Centre for Metrics £	Trade £	Global People Move- ments £	Inter- national Develop- ment £	Other £	Total £
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

8 Support costs

Support costs are allocated as follows:

	2019 £	2018 £
Raising funds	50,331	76,791
Cultural Transformation	194,931	144,563
Centre for Metrics	1,484,881	1,109,320
Trade	-	210,061
Global People Movements	137,292	144,160
International Development	55,774	86,198
Other	-	222,435
Charitable activities	1,872,878	1,916,737
Total	1,923,209	1,993,528

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (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.

Year ended 31 December 2019	Communi- cations and Marketing £	Centre and Operations £	Gover- nance £	Total £
Staff costs	239,614	611,820	-	851,434
Travel and entertainment	494	23,941	-	24,435
Office overheads	723	700,042	-	700,765
Repairs and maintenance	-	17,415	-	17,415
Stationary, postage and publications	20,772	10,987	-	31,759
IT and communications	16,394	68,746	-	85,140
Advertising, events and conferences	24,600	38,312	-	62,912
Professional fees	-	79,780	-	79,780
Depreciation	-	60,196	-	60,196
Governance (note 9)	-	-	27,473	27,473
Recovered VAT	(1,761)	(16,339)	-	(18,100)
Total	300,836	1,594,900	27,473	1,923,209

Year ended 31 December 2018	Communi- cations and Marketing £	Centre and Operations £	Gover- nance £	Total £
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)
Total	367,037	1,568,390	58,101	1,993,528

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (continued)

9 Governance costs

	2019	2018
	£	£
Audit fee	15,160	11,870
Legal and professional	12,313	46,231
	<hr/>	<hr/>
Total	27,473	58,101
	<hr/>	<hr/>

10 Employee information

	2019	2018
	£	£
Wages and salaries	1,487,985	1,280,038
Social security costs	167,759	144,300
Pension costs	61,409	56,832
	<hr/>	<hr/>
	1,717,153	1,481,170
	<hr/>	<hr/>

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

	2019 Number	2018 Number
Cultural Transformation	1	-
Centre for Metrics	13	6
Trade	-	1
Global People Movements	1	-
International Development	2	1
Other	-	1
Fundraising	1	2
Communications and Marketing	4	4
Centre and Operations	7	7
	<hr/>	<hr/>
Total	29	22
	<hr/>	<hr/>

Trustees' remuneration

Philippa Stroud received remuneration of £171,652 (2018: £168,355) and pension contributions of £17,356 (2018: £17,000) in her role as Chief Executive Officer, as approved by the Charity Commission. No other Trustees received any remuneration (2018: nil); no Trustees received expenses in the year (2018: £nil).

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (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 £211,410 (2018: £207,413).

Higher paid employees

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

	2019 Number	2018 Number
£60,001 - £70,000	2	2
£70,001 - £80,000	1	-
£80,001 - £90,000	3	2
£110,001 - £120,000	-	1
£120,001 - £130,000	1	1
£150,001 - £160,000	-	-
£160,001 - £170,000	-	1
£170,001 - £180,000	1	-

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

	2019 £	2018 £
Depreciation	60,196	63,235
Foreign exchange gains	(960)	(5,363)
Operating leases – land and buildings	-	216,057
Services provided by the company's auditor		
For audit services	13,900	11,870
For other services:		
Accounts preparation	-	3,190
Tax compliance work	3,625	4,285
Maintenance of payroll	7,110	6,880

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (continued)

12 Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Total £
Cost			
As at 1 January 2019	669,978	83,196	753,174
Additions	-	18,730	18,730
As at 31 December 2019	669,978	101,926	771,904
Depreciation			
As at 1 January 2019	397,356	49,620	446,976
Charge for the year	37,795	22,401	60,196
As at 31 December 2019	435,151	72,021	507,172
Net book value			
As at 31 December 2019	234,827	29,905	264,732
As at 1 January 2019	272,622	33,576	306,198

13 Investments in subsidiaries

Cost	£
As at 1 January 2019 and 31 December 2019	1

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 in the current or prior year, has issued share capital of £1 and no reserves.

14 Debtors

	2019 £	2018 £
Debtors: amounts falling due within one year		
Donations receivable	59,565	-
Prepayments and accrued income	50,721	40,027
Other debtors	15,187	28,629
	125,473	68,656

THE LEGATUM INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019 (continued)

15 Creditors

	2019	2018
	£	£
Creditors: amounts falling due within one year		
Trade creditors	53,013	107,726
Accruals and other creditors	83,246	104,358
Deferred income	2,015	3,333
Other tax and social security	51,092	43,653
	<u>189,366</u>	<u>259,070</u>
Creditors: amounts falling due after more than one year		
Related party loans (note 20)	-	12,780
	<u>-</u>	<u>12,780</u>

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

	2019	2018
	£	£
As at 1 January 2019	3,333	65,833
Income received and deferred	2,015	13,333
Released to income	(3,333)	(75,833)
	<u>2,015</u>	<u>3,333</u>

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

16 Financial instruments

	2019	2018
	£	£
Financial assets measured at fair value – cash at bank and in hand	<u>1,158,279</u>	<u>1,180,645</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 2019 (continued)

17 Funds

Year ended 31 December 2019	Opening balance £	Income £	Expend- iture £	Closing balance £
Restricted funds				
Cultural Transformation	42,830	127,245	156,875	13,200
Centre for Metrics (incl. Trade)	395,780	1,686,533	1,617,969	464,344
Global People Movement	49,950	119,472	94,422	75,000
International Development	-	52,075	52,075	-
Other	-	24,904	24,904	-
	488,560	2,010,229	1,946,245	552,544
Unrestricted funds	795,090	1,788,183	1,776,698	806,575
	1,283,650	3,798,412	3,722,943	1,359,119
Year ended 31 December 2018				
Restricted funds				
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

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 2019 (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

	2019	2018
	£	£
Net income for the year as per the Statement of Financial Activities	75,469	349,649
Adjustments for:		
Depreciation	60,196	63,235
Movement in debtors	(56,817)	80,286
Movement in creditors due within one year	(69,704)	(143,432)
Movement in creditors due after more than one year	(12,780)	-
	<u>(3,636)</u>	<u>349,738</u>

19 Capital commitments

There were no capital commitments as at the year-end (2018: none).

20 Related party transactions

One of the trustees is a member of a limited liability partnership which controls Legatum Foundation Limited. 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 £nil (2018: £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 £116,810 (2018: £nil) were received from this US charity and as at the year end, it owed £nil (2018: £nil) to the Institute.

The Institute is party to a lease with Basswood Properties Limited. This company is a related party as it is controlled by the limited liability partnership referred to above. Last 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 during the year was £1 (2018: £282,500 for the period to 30 June 2018); 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 year.

21 Post balance sheet events – COVID-19

Although COVID-19 required the Institute to make some logistical changes to its operations (home-based working, online events, no international travel) the pandemic has not had a negative impact on the Institute's financial position. No donors have withdrawn funding to the Institute as a result of the pandemic. In addition, the Institute's principle funder, the Legatum Foundation, has maintained its existing three year commitment to fund the Institute, as noted in note 2 ("Going Concern").