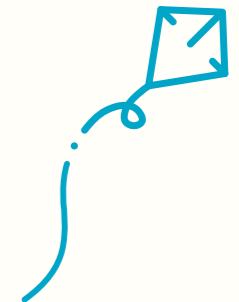




# Annual Report 2016



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**Our work**

# Letter from the chairman

In the LEGO Foundation, our aim is to re-define play and re-imagine learning. By Learning through Play, we equip our children with the skills they need to thrive in life and realise their full potential.

In a constantly changing world, the LEGO Foundation plans for the future. We do this through lifelong learning as the continuous, engaged, self-motivated search for knowledge – a process that also develops you as a human being, engages you as an active citizen and grows your self-sustainability. That's why children's learning should not come to a close when they finish school, but is a mindset that should last a lifetime.

We need to change the way people understand the impact and importance of Learning through Play in acquiring essential skills for life. Learning through Play can happen anywhere and be relevant to everyone.

In 2016, we strengthened our strategic focus in order to enable the LEGO Foundation to have an even stronger voice and demonstrate the thought leadership needed to positively influence children's learning all over the world. In the LEGO Foundation, our programmatic focus is on early childhood, education and communities.

We collaborate with leading implementers, research institutions and others who already work in the field of promoting play and quality learning. We create real change in concrete projects on the ground and advocate on a global scale to transform attitudes and behaviours to Learning through Play.

## **These are some examples of where we have reached crucial milestones with new and existing partners:**

- In partnership with one of China's most renowned academic institutions, Tsinghua University, we have established the Tsinghua University Lab for Lifelong Learning to support play and creativity across the Chinese educational system from pre-school to university.
- With UNICEF, we promote quality Learning through Play for children around the world. In South Africa, we will now see some 150,000 teachers and practitioners being trained in play-based learning.
- In Mexico, we have decided to expand our collaboration with one of the country's biggest childcare providers to nearly 10,000 childcare centres, thus reaching more than 300,000 children living in poverty.

It is a great privilege to be a part of a journey in which we constantly strive to provide children and adults all over the world with the best opportunities to engage in Learning through Play. We must never lose sight of this purpose and our amazing impact potential, as the motivating force for what we do.

On behalf of our colleagues in the LEGO Foundation, I would like to thank all our partners and contributors for engaging with us to make this a reality.

**Thomas Kirk Kristiansen**  
Chairman of the board  
The LEGO Foundation



## **New Chairman of the board**

In April 2016, the Kirk Kristiansen family announced an important next step in the smooth handover of active family engagement between the third and fourth generation. As part of this process, Kjeld Kirk Kristiansen and Thomas Kirk Kristiansen swapped roles on the board of the LEGO Foundation – with Thomas Kirk Kristiansen becoming chairman and Kjeld Kirk Kristiansen becoming deputy chairman.

## **New CEO appointed**

John Goodwin has been appointed as the new CEO of the LEGO Foundation as of 1 April 2017. John joined the LEGO Group in 2012 as Chief Financial Officer and has been responsible for the Business Enabling area including IT, Legal, Procurement, Business Services, CSR and Corporate Affairs. In addition, John has been a key driver in the development of the LEGO Group organisation and culture. He also brings experience from working with humanitarian and aid organisations.

# Our LEGO® heritage

In the LEGO Foundation, we aim to make children's lives better – and communities stronger – by building a future in which Learning through Play empowers children to become creative, engaged, lifelong learners. We do this by making sure the fundamental value of play is understood, embraced and acted upon.

We believe that children are our role models because of their natural hands-on, minds-on approach to learning. Children are curious, creative and imaginative. They embrace discovery and wonder. They are natural, intuitive learners who experience the world through play. These are qualities we should nurture and stimulate throughout life.

We aim to inspire and develop the builders of tomorrow, a mission that we share with the LEGO Group. We benefit from more than 80 years of LEGO Group experience, the strong reputation of the LEGO® brand, and an unwavering ambition to have a positive impact on children and society.

The story of the LEGO Group is also a story of family ownership. Ole Kirk Kristiansen, a Danish carpenter, founded the company in 1932. He came up with the name LEGO from the Danish words *leg godt*, which mean "play well" and the company grew to become the LEGO Group.

As part of the ongoing commitment to giving children better opportunities to reach their full potential, the LEGO Group owner family has entrusted the LEGO Foundation with 25% ownership of the LEGO Group. This is how we fund our activities.



Two generations of the LEGO owner family:  
Thomas Kirk Kristiansen (left)  
and Kjeld Kirk Kristiansen (right).



# Re-defining play and re-imagining learning

*At the LEGO Foundation, we welcome increased global attention to the need for developing stronger life skills. But there is only limited understanding of the power of play and how to make play an integrated part of learning, and this is therefore not exploited to its full potential.*

From infancy onward, children's first experiences with play normally occur within the home environment and with those around them. These meaningful interactions are critical in terms of the child's early development, in particular developing the brain. Research from the Center on the Developing Child at Harvard University has demonstrated the importance of responsive and positive experiences on brain architecture. This is particularly critical in early childhood when the child's brain is most sensitive to experiences that lay the foundation for later development and lifelong learning.

We consider that play should be recognised and appreciated for its role in establishing vital learning skills throughout our lifespan, and we need new approaches to learning that include more than just the ability to accumulate knowledge or memorise content.

As part of our "Pedagogy of Play" partnership (see page 20) we are currently investigating how we in a classroom setting are able to identify both the influencers and

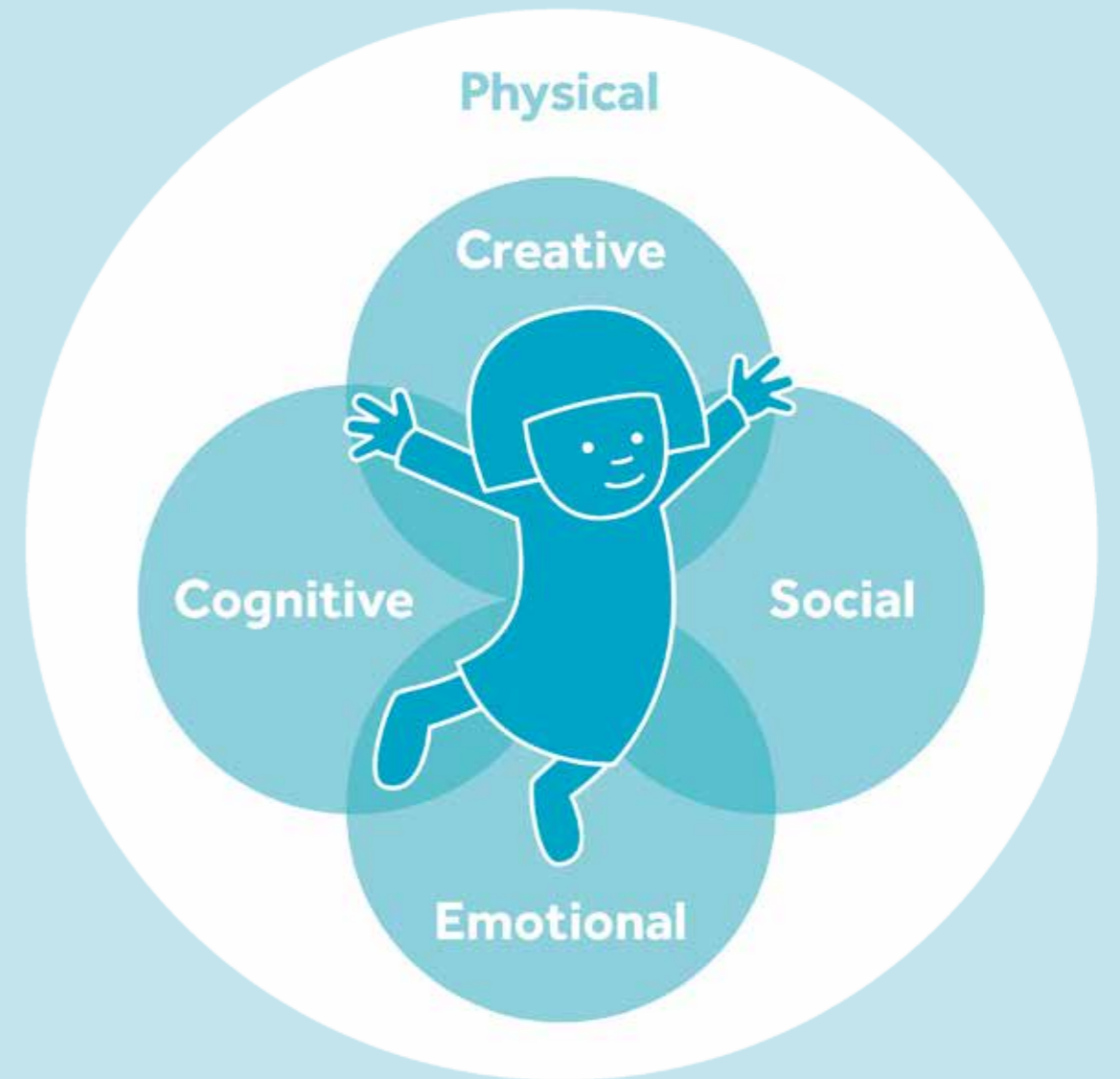
indicators of playfulness. We are learning how children will be able to play, make, share and think while being engaged with the curriculum.

And in a new partnership with Tsinghua University (see page 27) – one of China's most renowned universities – we have established the Tsinghua University Lab for Lifelong Learning, where the aim is to support play and creativity in the Chinese education system.

Learning through Play helps children develop the **emotional, cognitive, physical, creative and social skills** that have long-term benefits for becoming lifelong learners, and enable them to thrive in a constantly changing and challenging world.

That is why our work at the LEGO Foundation is about re-defining play and re-imagining learning.

In 2016, the LEGO Foundation activities amounted to DKK 378 million.



# Our three focus areas ...

We want to empower children to become creative and engaged lifelong learners. To fulfil that ambition, we have established three programmatic focus areas in which we aim to place Learning through Play on the global agenda. Our objective is to ensure that the fundamental value of play is clearly understood, and that play-based learning becomes a reality for children all over the world.

## Learning through Play in Early Childhood

Scientific evidence shows that the early years provide the biggest impact on a child's path through life. That's why we work to shift adult behaviour towards engaging in Learning through Play – both at home and in communities. In addition, we support the need for quality early childhood development programmes. Our early childhood development focus is primarily targeted at children up to the age of six.

## Connecting Play and Education

Play-based learning should be integrated into the educational system. This will enable teachers and schools to prioritise Learning through Play, and to build capabilities for influencing traditional forms of education. This area focuses on making play a part of development and learning for children between five and twelve.

## Communities of Learning through Play

At the LEGO Foundation, we work with three strategic countries – South Africa, Mexico and Denmark. These three countries experience different challenges in improving quality learning and academic results. By working with this focus area, we create synergies through partnerships and collaboration across the full learning ecosystem in each country, and we use examples of how children learn through play to emphasise its impact in practice.



# ... and our three ways of working

Sustainable change happens when we change attitudes and behaviours across society. The LEGO Foundation engages with organisations that are key players for children's future development – from joining forces with leading universities to collaborating in programmes with partners around the world. We work in strategic long-term partnerships with a broad range of stakeholders that together have significant potential for influencing children's Learning through Play. Our work always combines our three ways of working, which collectively enable us to reach our aim.

## Evidence

We want to be thought leaders within Learning through Play. We have a strong network and collaborations with leading researchers and universities about creativity, play, learning and child development. Our overall aim is to collaborate on Learning through Play – all rooted in our Centre for Creativity, Play and Learning, as a global knowledge setup in which researchers and practitioners can develop and share insights.

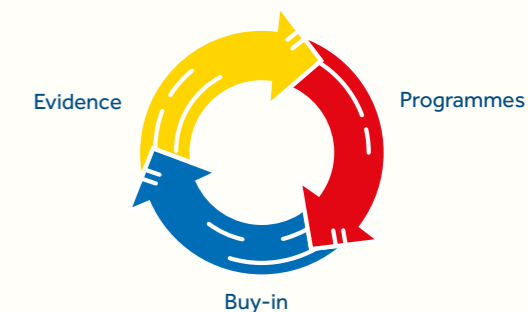
## Programmes

In order to achieve maximum impact and to apply research results in practical real-world contexts – as well as providing strong foundations for additional studies – we maintain strong strategic and long-term partnerships with

practitioners around the world. We collaborate, for example, with organisations, school systems and governments on activities that focus on improving childhood development and changing children's lives through play.

## Buy-in

We share our knowledge and promote Learning through Play by mobilising parents, teachers, governments and systems to help change attitudes and behaviours about how children best become lifelong learners. When putting across our message about Learning through Play, we use and apply the knowledge gained from our research partnerships around the world along with the results garnered from using Learning through Play-based ideas in practice. Our objective is to help even more people appreciate the value of these examples and adopt our methods with regard to how children best learn for life.





# Learning through Play in Early Childhood

In the LEGO Foundation, we want to integrate Learning through Play in early childhood development that will empower children in the 0–6 age group to become creative and engaged lifelong learners.

At the same time, we want to shift adult behaviour to engage in Learning through Play at home and in communities – and to demand quality early childhood development programmes.

The brain develops fastest during the first three years of life, and scientific evidence shows that the biggest impact on a child's path through life can be achieved during the early years. These have therefore also risen into the limelight and have been included in the United Nations Sustainable Development Goals. The now widely cited economist and Nobel Laureate James J. Heckman has argued that the return on every dollar invested in early childhood is between 4 and 9 dollars, making it one of the highest rates of return from any area of public investment.

But play-based learning is rarely seen as an essential part of early childhood development, and parents are often overlooked as a key part of the solution.

## Our focus

We seek to enhance the quality of learning in three settings:

- **Home:** Reach parents and caregivers through media, technology and home visiting programmes to convince them of the power of Learning through Play.
- **Communities:** Work with partners who can provide Learning through Play experiences in public spaces or community centres.
- **Early childhood centres** (kindergartens or pre-schools): Identify, support and adapt affordable, high-quality Learning through Play models for early childhood development centres.

[You can see examples of our work on the following pages.](#)





## Accelerating innovation

The LEGO Foundation joined forces with Ashoka, the largest global network of social entrepreneurs, to identify over 40 leading play-based learning innovations around the world by 2016.

In June 2016, the LEGO Foundation and Ashoka organised the Re-Imagine Learning Globalizer Summit, which supported sixteen of these social innovators who were uniquely positioned to accelerate their scaling plans with the aim of amplifying value within the global Learning through Play agenda.

Four of the sixteen social entrepreneurs worked in the field of early childhood, collectively reaching more than 20,000 children.

Before the summit, they engaged in an intensive process to develop and refine their scaling strategies with consulting advice from Ashoka *pro bono* partners such as McKinsey & Company, and to consider the impact of their work at child level, as part of a workshop run by the Harvard Center on the Developing Child.

At the summit, the social entrepreneurs shared key learnings and explored how and when to work together to multiply their impact. Each also had mentoring sessions with Strategy Thought Partners, who were primarily experienced entrepreneurs and CEOs.

Participants at the Re-Imagine Learning Globalizer Summit in London build a learning ecosystem.



## Early moments matter

Early in 2015, UNICEF and the LEGO Foundation agreed to partner on a number of joint projects for the future. One of the key joint achievements in 2016 included the development of the first-ever joint global campaign. Called #EarlyMomentsMatter, this aims to drive increased awareness of the importance of play, nutrition and protection in the first 1,000 days of children's development.

The LEGO Foundation also supported UNICEF in identifying priorities for adaptation and innovation with regard to the Care for Child Development package, the leading evidence-based parenting programme reaching millions of families globally.

As an example, one of the areas of innovation identified in Latin America and the Caribbean involves encouraging fathers to engage in responsive and supportive co-parenting that is also stimulating and positive – including actively playing with their infant children.

Together with the LEGO Group and UNICEF, in 2016 we also launched the Partners in Play campaign, which aimed at driving awareness of the importance of play for children's development. During the four-week campaign, more than 5.5 million were reached on social media.

## Play every day

In 2016, Play Every Day was launched. This is a global, three-year partnership between the LEGO Foundation and the Sesame Workshop non-profit organisation, makers of the Sesame Street television show and organisers of social impact initiatives around the world.

The partnership joins Sesame Workshop's deep expertise using children's media to change mindsets and behaviours with the LEGO Foundation's knowledge about Learning through Play. In Mexico, South Africa and India, Sesame Workshop will implement activities that engage parents and children in Play Workshops designed to open parents' minds to the power of Learning through Play.

Using ongoing impact research, the project will reveal which activities and approaches are most effective.

**During 2016, the project laid the foundation by:**

- Establishing a global advisory panel of experts and country-level advisories on play that will ensure the activities are designed on the basis of cutting-edge evidence about play and learning.
- Engaging independent research firms to conduct in-depth needs assessments in all three countries.
- Developing prototypes of hands-on activities for the Play Workshops.





# Connecting Play and Education

Establishing Learning through Play as part of the global educational agenda and promoting it as a viable solution to the challenges in our current education systems are central to our work in the education programme, where we especially focus on children aged 5–12.

The fact is that industries change rapidly and new types of jobs are being created all the time. This means we need to learn skills such as collaboration, communication, critical thinking and creativity – and this in turn requires us to rethink how children learn in school.

In addition, a lot of children still fail to achieve even minimum levels of proficiency in reading and mathematics by the end of school, according to the Sustainable Development Goals report from the UN.

As a result, governments are recognising that traditional education solutions are not enough for children to develop the skills they need for a changing world.

Already today, we help governments integrate Learning through Play into policies and curricula – and we motivate childcare centres and schools to actively use play-based approaches in their teaching practices. Furthermore, we combine our evidence base with compelling examples of

practice in order to advocate for Learning through Play on a global scale.

We need to integrate play-based learning as a part of the global educational agenda.

## Our focus

- Collaborate with key academic influencers and NGOs in order to advocate for Learning through Play for policy makers.
- Promote a global dialogue around the importance of learning to go beyond literacy and numeracy and to encompass a more holistic view.
- Reach out to schools with campaigns, materials and methodologies that convince them about the power of Learning through Play.
- Build a dialogue with teacher training bodies, professional groups and trade unions to change mindsets, create a demand for change and promote training in Learning through Play.

[You can see examples of our work on the following pages.](#)



## Play-based learning in schools

Play is central to how children learn and sense the world. Much is already known about the importance of play in children's development. But very little research has been done to explore what it might mean to put play at the centre of schooling. What is the relationship between play and play-based learning? How do teachers, curricula and a school community create a culture that supports a play-based pedagogy?

A partnership entitled Pedagogy of Play between the LEGO Foundation, Project Zero at the Harvard Graduate School of Education and the International School of Billund in Denmark is investigating the role of play-based learning and is exploring more broadly what it might mean to have Learning through Play at the heart of a school.

The project aspires to change the way educators, parents and policymakers think about play and play-based learning, and to develop tools and resources to support Learning through Play in schools.

**The partnership was launched in August 2015 and in July 2016 Project Zero released two white papers:**

- **Towards a Pedagogy of Play:** This paper shares ideas about how play-based learning can assume a central role in schools.
- **Developing a Pedagogy of Play:** Explores a new model of collaborative research and takes a deeper dive into the work with the International School of Billund.

The International School of Billund was initiated by the LEGO Foundation as a contribution to making Billund the Capital of Children – a city for and about children. The school opened in 2013 with just over 60 students, divided between kindergarten and primary school. The school completed a large expansion programme in the autumn of 2016, and now has around 250 students.

## Skills for a changing world

In partnership with the Brookings Institution – a non-profit public policy organisation based in Washington, DC – the LEGO Foundation seeks to ensure that all children have access to high-quality learning opportunities.

The aim of the Skills for a Changing World project is to undertake new research and policy dialogue about how children can develop the full breadth of skills needed to succeed in life and contribute to society.

The project makes the case that skills that include creativity, problem solving and critical thinking are just as important as more traditional skills, such as literacy and numeracy.

Based upon our in-depth contextual analysis of the educational systems, we will be able to establish an understanding of existing attitudes of key stakeholders as well as opportunities for future education system reform.

The Skills for a Changing World project is continuously evolving. A series of blogs, papers and reports is available on the project's website, and more content will be added as the project moves forward.





# Communities of Learning through Play

In the LEGO Foundation, we create synergies through partnerships and collaborations across the full learning ecosystem in defined geographical areas to build commitment and to create the best Learning through Play environments for children aged 0–12.

There is often a lack of holistic thinking across the learning ecosystem as well as little recognition of the possibility of using Learning through Play as a driver to help children become lifelong learners.

In the LEGO Foundation, we want to strengthen the overall focus on Learning through Play. That's why we have established three strategic focal points – Mexico, South Africa and Denmark.

In Denmark we are building on experience harvested from establishing the Capital of Children in Billund, in collaboration with the local municipality.

These three countries experience a range of different challenges with achieving academic results – from teacher absence and lack of teacher training to a rigid focus on testing and performance assessment.

We reach out to governments where we work on including Learning through Play in curricula and support its

implementation – and we work with parents in order to alter their attitudes towards Learning through Play, both at home and in their communities.

Our focus on influencing communities with Learning through Play extends across both informal and formal learning – and this draws on knowledge and results from the LEGO Foundation's two other programmatic focus areas: Learning through Play in Early Childhood and Connecting Play and Education.

## Our focus

- Develop best practices for cross-sector dialogue and collaboration through new models for partnerships.
- Create commitment and engagement with regard to the overall Learning through Play agenda, from all local stakeholders.
- Advocate for the inclusion of Learning through Play in all learning environments centred around the child.

You can see examples of our work on the following pages.



## Supporting children in Mexico

Even though Mexico has one of the biggest economies in the world, poverty levels remain high with more than half of Mexicans living in poverty. Inequality poses a challenge for the millions of Mexican children who do not have the same educational opportunities as their peers. The Mexican government has recognised the importance of early childhood but there is still a long road ahead to ensure that all Mexican children have access to the conditions necessary to reach their full potential.

Diego Adame, Initiatives Lead for the LEGO Foundation in Mexico, here highlights an important milestone for the Foundation's work in 2016:

### Reaching 10,000 childcare centres

"Since 2015, we have supported 475 childcare centres from the biggest network of such facilities in Mexico with play materials and trainings for practitioners.

These centres are run in partnership by Desarrollo Integral de la Familia (DIF), an independent public institution with the mandate to improve the wellbeing of Mexican families, and the Mexican Ministry of Social Development (SEDESOL).

Given the success of the project, in 2016 we decided to expand our partnership to all the nearly 10,000 childcare centres in all the states of Mexico. This means that within the next five years we will reach over 300,000 children.

Furthermore, the LEGO Foundation will work closely with DIF to find innovative approaches to strengthen their training and supervision models – which will eventually lead to children having better emotional, cognitive, physical, creative and social development."

## Improving learning in South Africa

The situation for the South African education system is reflected in a 2015 OECD ranking of 76 countries. South Africa ranks 75 on this list, making it one of the countries with the biggest challenges associated with improving the educational system.

Since the LEGO Foundation's very first large-scale project began in South Africa in 2008, we have been trying to incorporate more Learning through Play thinking into the formal and informal education system – working closely with government, teachers, parents and NGOs to change mindsets about the importance of play. Together, we work on reaching as many recipients as possible with our message about Learning through Play.

In 2016, we achieved good results in reaching out to important stakeholders and advocating for Learning through Play to a broader audience in South Africa – as well as getting more children involved in education programmes.

Michael Renvillard, Initiatives Lead for the LEGO Foundation in South Africa, here highlights some of the key achievements in 2016:

### Play Well and Be Happy

"In November, we launched the Play Well and Be Happy initiative with Takalani Sesame. This is a new hands-on experience for children and caregivers in South Africa's Eastern Cape – home to approximately 900,000 children up to 5 years in age, where two-thirds are considered vulnerable due to their socio-economic status. We know that these children have only limited access to educational materials – leading to low literacy rates, which can negatively impact their overall educational outcomes.

With Play Well and Be Happy, we encourage play-based learning for 60,000 children and their caregivers through



registered early childhood development sites. The Play Well and Be Happy materials, featuring the loveable Takalani Sesame Muppets, include sets of LEGO® DUPLO® bricks, and are being distributed through kits circulating in schools. In addition, teachers and caregivers in the Eastern Cape will be trained to understand and adopt Learning through Play concepts."

### Partnership with UNICEF

"We support UNICEF with a range of initiatives in South Africa, and in July we supported PLAY: The Conference – a three-day conference in Johannesburg where the need for training and implementation of play-based learning were in focus. The conference had 400 participants, mainly educators, but also representatives from the government, the private sector and different NGOs.

Our partnership with UNICEF will also give training about play-based learning to 150,000 teachers and early childhood development practitioners. This has a potential for impacting more than three million children and being a huge contribution to our work in South Africa."

# A global research agenda

In 2016, we established the LEGO Foundation Centre for Creativity, Play and Learning in order to create an international research agenda. We work with researchers, educators and innovators who are committed to building a body of evidence about Learning through Play and the impact of play on child development and lifelong learning.

The overall aim with the Centre is to establish a thought-leader agenda within Learning through Play. We want to show the links between what people learn through play as children, and how these play-based experiences in our early years enable us to acquire the skills critical for being creative and engaged as well as learning, throughout a lifetime.

The LEGO Foundation Centre for Creativity, Play and Learning aims to address these particular challenges:

- The highly fragmented field of disciplines in research and academia, with only limited collaboration between them.
- Lack of a shared language about the value of play for children's development and learning.
- A need for a cross-cultural understanding and international examples of the benefit of children's play and learning.

## Our research partners include

Aarhus University (Denmark)  
BRAC University (Bangladesh)  
Harvard Graduate School of Education (US)  
Massachusetts Institute of Technology (US)  
Tsinghua University (China)  
Tufts University (US)  
University of Cambridge (UK)  
University of Copenhagen (Denmark)

You can see examples of our work on the following page.



## Supporting creativity in Chinese schools

In 2016, the LEGO Foundation entered into a partnership with Tsinghua University – one of China's most renowned universities – and established the Tsinghua University Lab for Lifelong Learning. The aim is to support play and creativity in China, from pre-school to university.

The Lab will:

- Develop and showcase new learning tools to stimulate creative engagement.
- Study the impact of creative engagement on children's and students' learning.
- Convene decision-makers around Learning through Play.

Since its opening, the Lab for Lifelong Learning has worked with the University of Geneva to co-host a summer school, held workshops for children and students, taught courses in schools and started up research on creativity, as well as functioning as a maker space. The Lab has also had visitors from the Chinese Ministry of Education, schools, international universities and corporations – and has been featured on the BBC.

## Hands-on Learning through Play

The LEGO® Idea Studio was founded in 2016 as part of the LEGO Foundation Centre for Creativity, Play and Learning. Its aim is to develop facilitated hands-on activities that invite people to experience the LEGO idea and Learning through Play.

The LEGO Idea Studio also serves as a nexus for collaboration with applied researchers from the LEGO Foundation research network, including the Lifelong Kindergarten Group at MIT Media Lab, the Tinkering Studio at the Exploratorium in San Francisco and the Reggio Children Foundation in Italy. Activities and prototypes developed here are shared freely via a worldwide network of libraries and maker spaces.

In addition to activity development, the Idea Studio's research explores new strategies for documenting and sharing moments of play-based learning.



# Supporting the work of Ole Kirk's Foundation

*In addition to our own activities, the LEGO Foundation supports the work of Ole Kirk's Foundation. In 2016, this support amounted to DKK 75 million.*

Ole Kirk's Foundation was established in 1964 by the Kirk Kristiansen family in memory of the founder of the LEGO Group, Ole Kirk Kristiansen.

Ole Kirk's Foundation is a philanthropic foundation and supports social, cultural, humanitarian and educational causes, primarily in Denmark. The purpose of the foundation is to increase quality of life for children and their families.

In 2016, Ole Kirk's Foundation committed its largest single donation so far towards a new world-class hospital for children, young people, pregnant women and their families. This new hospital will operate as a unit within *Rigshospitalet* in Copenhagen, Denmark, and the project is a partnership between Capital Region of Denmark, *Rigshospitalet* and Ole Kirk's Foundation.

The hospital will seek to ease the vulnerable situation in which families find themselves when a child is seriously ill.

An important way to achieve this is by providing space for the family to spend comforting, quality time together, space to play, to receive care and to enjoy a moment of recreation – and to have the best possible quality of life. Furthermore, the LEGO Foundation supports the project's aims to integrate play and explore the possible links between play, relief and healing through research programmes.

The LEGO Foundation Board has committed a grant to Ole Kirk's Foundation amounting to DKK 615 million to support the Ole Kirk's Foundation funding of the new hospital. The release of funds will take place during 2017–2024, in accordance with the progress of the project.

[Read more at www.olekirksfond.dk](http://www.olekirksfond.dk)

**OLE KIRK's** Foundation 





**Management  
review**

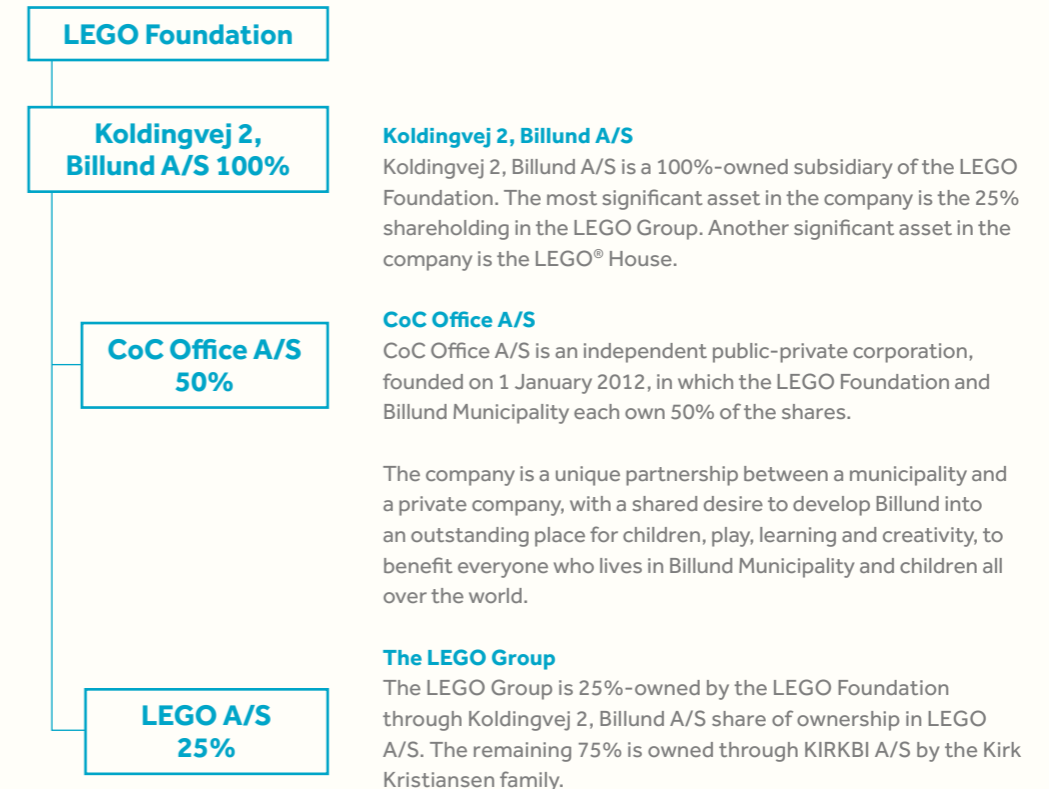


# Information about the LEGO Foundation

<b>Name</b>	LEGO Fonden (in English: the LEGO Foundation)
<b>Address</b>	Koldingvej 2, 7190 Billund
<b>Country</b>	Denmark
<b>CVR no.</b>	12 45 83 39
<b>Branch</b>	LEGO Foundation, Baar (CH)
<b>Leadership team as per 6 March 2017</b>	<p><b>Kasper Ottosson Kanstrup</b> Interim CEO and Head of Communities of Learning through Play <b>Board positions:</b> Member of the board of CoC Office A/S and member of the board of the International School of Billund</p> <p><b>Mirjam Schöning</b> Head of Learning through Play in Early Childhood</p> <p><b>Bo Stjerne Thomsen</b> Head of LEGO Foundation Centre for Creativity, Play and Learning</p> <p><b>Carsten Klokkeholm Wammen</b> Head of Excellence (governance, operation and processes)</p>



# Legal overview



The LEGO Group is engaged in the development of children's creativity through play and learning. Based on the world-famous LEGO® brick, the company today provides toys, experiences and teaching materials for children in more than 130 countries. The head office is in Billund, Denmark.

# Board of directors



**Chairman of the board**  
Thomas Kirk Kristiansen (1979)

**Education:** Degree in marketing

**Year elected:** 2013 (chairman since 2016)

**End of term:** 2018 (re-elected in 2016)

**Short bio:** Shareholder of KIRKBI A/S and representing the fourth generation of the LEGO® owner family. Deputy chairman of the LEGO Brand Group

**Special competences:** Family-owned companies and board work

**Board and management positions:** Deputy chairman in LEGO A/S and LEGO Juris A/S. Board member in KIRKBI A/S and three subsidiaries of KIRKBI A/S. Executive manager of Kirk og Kirk Holding ApS and management roles in four subsidiaries of Kirk og Kirk Holding ApS

**Appointed by authorities:** No

**Independent/not independent board member:** Not independent

**2016 annual remuneration within the LEGO Foundation:** DKK 0



**1st deputy chairman of the board**  
Kjeld Kirk Kristiansen (1947)

**Education:** MBA from IMD, Lausanne, Switzerland

**Year elected:** 2000

**End of term:** 2017 (re-elected in 2015)

**Short bio:** Third generation of the LEGO owner family and the principal shareholder of the family-owned LEGO Group through KIRKBI A/S. President and CEO of the LEGO Group 1979-2004. Appointed a Knight of The Order of Dannebrog in 1994 and a Knight 1st Degree in 2008. Appointed Chamberlain in 2012

**Special competences:** Business development, sales, marketing, production and board work

**Board positions:** Chairman of the board of KIRKBI A/S, Koldingvej 2, Billund A/S and Ole Kirk's Foundation. Board member in COC Office A/S and in four fully owned subsidiaries of KIRKBI A/S

**Appointed by authorities:** No

**Independent/not independent board member:** Not independent

**2016 annual remuneration within the LEGO Foundation:** DKK 0



**2nd deputy chairman of the board**  
Jørgen Vig Knudstorp (1968)

**Education:** Master's degree in economics and PhD from the University of Aarhus. Executive MBA from Cranfield School of Management

**Year elected:** 2008

**End of term:** 2017 (re-elected in 2015)

**Short bio:** Executive chairman of LEGO Brand Group. Former president and CEO of the LEGO Group and former McKinsey & Company consultant

**Special competences:** Business development, sales, marketing and production

**Board positions:** Chairman of LEGO System A/S and LEGO Juris A/S. Member of the IMD Foundation board

**Appointed by authorities:** No

**Independent/not independent board member:** Not independent

**2016 annual remuneration within the LEGO Foundation:** DKK 0



**Board member**  
Agnete Kirk Thinggaard (1983)

**Education:** Bachelor's degree in psychology

**Year elected:** 2016

**End of term:** 2018

**Short bio:** Professional dressage rider and owner of Julianelyst Manor in Østbirk, Denmark. Founder of Center for ADHD S/I in Aarhus, Denmark. Fourth generation of the LEGO owner family and shareholder in KIRKBI A/S

**Special competences:** Family-owned companies and board work

**Board and management positions:** Chairman of the board of the Center for ADHD S/I, deputy chairman of the board of Edith og Godtfred Kirk Christiansens Foundation. Executive manager of A&C Holding, Billund ApS and management role in a subsidiary of A&C Holding, Billund ApS

**Appointed by authorities:** No

**Independent/not independent board member:** Not independent

**2016 annual remuneration within the LEGO Foundation:** DKK 0



**Board member**  
Mette Morsing Thyssen (1963)

**Education:** PhD at Copenhagen Business School

**Year elected:** 2010

**End of term:** 2018 (re-elected in 2016)

**Short bio:** Professor at Copenhagen Business School and Mistra Chair in Sustainable Markets at the Stockholm School of Economics

**Special competences:** Leadership, corporate social responsibility and sustainability, and public-private research collaborations

**Board positions:** Board member of the Claus Meyer Melting Pot Foundation and Copenhagen Business School. Editorial board member of the "Business, Society and Value Creation" series for Cambridge University Press

**Appointed by authorities:** No

**Independent/not independent board member:** Independent

**2016 annual remuneration within the LEGO Foundation:** DKK 200,000



**Board member**  
William Ervin Hoover (1949)

**Education:** MBA from Harvard Business School

**Year elected:** 2010

**End of term:** 2018 (re-elected in 2016)

**Short bio:** Previously director of McKinsey & Company – 30 years in total, of which 27 years in Scandinavia

**Special competences:** Strategy, organisation, supply chain, M&A and performance transformation

**Board positions:** Working chairman of RED Associates Holding A/S. Deputy chairman in GN Store Nord A/S and two subsidiaries of GN Store Nord A/S. Member of the board of Danfoss A/S, Sanistål A/S, Neopost S/A and Specialisterne Foundation

**Appointed by authorities:** No

**Independent/not independent board member:** Independent

**2016 annual remuneration within the LEGO Foundation:** DKK 200,000

# Governance and leadership

***The LEGO Foundation follows Danish recommendations for good governance in corporate foundations. A compliance status report\* is available at our web page\*\****

The LEGO Foundation is managed by a board of directors composed of six members elected in accordance with its charter. The board approves the strategy of the LEGO Foundation and makes decisions about how the Foundation directs its resources, including grants.

Furthermore, the board also supports and supervises the organisation and makes sure that the LEGO Foundation is managed appropriately and in accordance with applicable legislation and its charter.

The Board has appointed a CEO who is responsible for the day-to-day management of the Foundation.

There are a minimum of four board meetings each year, supplemented by additional conference call meetings if and when necessary.

The work of the board is regulated in its Rules of Procedure. The Rules of Procedure are drawn up to

describe the responsibilities of the board of directors, and how the board's work is to be organised.

The board of the LEGO Foundation reviews the Foundation's strategy and the distribution policy on an annual basis, as well as a number of policies and procedures that have been implemented to ensure good governance.

The six members of the board are elected for a period of two consecutive years, taking into consideration the need for continuity in whether the board's work. Two members are independent, to comply with the recommendations for good governance in Danish foundations.

In accordance with the board's Rules of Procedure, the board of directors evaluates the competences and know-how of the board on an ongoing basis to ensure that the board serves its purpose to the benefit of the LEGO Foundation.

Each board member is entitled to recommend a new member, and a simple majority will then decide the recommendation/election. No one over the age of 75 can be elected or re-elected to the board.

Independent members of the board are remunerated by a fixed fee that does not depend on the financial results. The remuneration of each member is specified in the annual report. No board members received extraordinary remuneration for special tasks in 2016.

The LEGO Foundation wants to ensure transparency with regards to all of its activities. This is done through a high level of information on the LEGO Foundation website, and a detailed description of the activities of the year in the annual report and the related management review.

\* *Redegørelse for god fondsledelse* in accordance with §77a of *Årsregnskabsloven* (the Danish Financial Statements Act)

\*\* [www.LEGOFoundation.com/da-dk/who-we-are/policies](http://www.LEGOFoundation.com/da-dk/who-we-are/policies)



# Report on distribution policy \*

The LEGO Foundation complies with the Danish statutory requirements for corporate foundations, and reports its list of grant recipients\*\* to the Danish authorities.

## A revised grant strategy

As part of a strategy process in 2016, the LEGO Foundation adopted a revised distribution policy\*\*\*, supporting the vision of providing support for children and their development along with support for general research and educational purposes.

It also emphasises the close relationship between the LEGO Foundation and the LEGO Group by stipulating the purpose of ensuring the ongoing existence and development of the Group.

In accordance with our charter, the aim is to build a future where Learning through Play empowers children to become creative, engaged, lifelong learners. Our board of directors lays down the framework for grants as part of approving the annual budget and plans. During the year, the leadership team puts forward individual proposals for distribution of grants within that framework, for board approval.

## Grant activities relate to 5 core programmes and activities

- Learning through Play in Early Childhood
- Connecting Play and Education
- Communities of Learning through Play
- LEGO Foundation Centre for Creativity, Play and Learning
- Other charter-related programmes including grants to Ole Kirk's Foundation and LEGO related programmes

## Distribution guidelines

- Every grant must be kept within the purposes mentioned in our charter.
- The distribution framework must safeguard our obligations by ensuring that sufficient funds are available to cover three years of activity, even without new income from the LEGO Group.
- When making grants to third-party organisations, we agree on a budget for administration/overhead appropriate to the purpose of the grant and the nature of the grantee.
- The LEGO Foundation does not consider unsolicited grant applications.

## Grant activities for 2016

Grant activities summarised for each programme as described in the Foundation's distribution policy, can be specified as:

	2016	2015
Million DKK		
Learning through Play in Early Childhood grants	26	31
Connecting Play and Education grants	31	28
Communities of Learning through Play grants	71	63
LEGO Foundation Centre for Creativity, Play and Learning grants	43	63
Ole Kirk's Foundation grant	75	75
Other charter-related grants	10	12
<b>Total of current year's grant activity</b>	<b>256</b>	<b>272</b>

\* Redegørelse for fondens uddelingspolitik in accordance with §77b of Årsregnskabsloven (the Danish Financial Statements Act)

\*\* Legatarfortegnelsen in accordance with §80 of Lov om erhvervsdrivende fonde (the Danish Corporate Foundations Act)

\*\*\* The distribution policy is available at our webpage [www.LEGOFoundation.com/da-dk/who-we-are/policies](http://www.LEGOFoundation.com/da-dk/who-we-are/policies).



# Annual review

## Income statement

The LEGO Foundation annual result for 2016 amounted to DKK 2,442 million compared with DKK 2,248 million in 2015.

The predominant contribution to this result is the DKK 2,551 million result from subsidiaries, where the 25% share of the result in the LEGO Group amounted to DKK 2,359 million.

The result is satisfactory, but below expectations, due to lower than originally estimated growth in profits for the LEGO Group.

## Activity statement

The activities for the LEGO Foundation in 2016 amounted to DKK 378 million compared with DKK 369 million in 2015.

In 2016, the LEGO Foundation applied substantial resources to strengthening the strategic focus in order to enable the LEGO Foundation to have an even stronger voice and demonstrate the thought leadership needed to positively influence children's learning all over the world.

Due to the considerable amount of work associated with strengthening the Foundation's strategic focus, a slightly lower level of grant activities has been achieved in 2016 compared with 2015. At the same time, expenditure related to administration has increased significantly due to the involvement of management consultants in the implementation of the focused strategy. Expenses related to programmes were at same level for 2016 as for the year before.

## Balance sheet

At the end of the year, LEGO Foundation assets totalled DKK 12,024 million compared with DKK 9,872 million in 2015. The increase is primarily due to the increase in the value of the Koldingvej 2, Billund A/S subsidiary, where the value increased by DKK 2,392 million.

The book value of the equity is now DKK 10,981 million compared with DKK 8,786 million in 2015. The equity ratio is 91% compared with 89% in 2015.

## Cash flows

In 2016, cash flows from operating activities amounted to DKK -127 million compared with DKK -69 million in 2015. Cash flows from investment activities amounted to DKK 500 million compared with DKK 401 million in 2015. Cash flows from financing activities amounted to DKK -256 million compared with DKK -272 million in 2015.

The dividend from the LEGO Group to the LEGO Foundation's 100%-owned subsidiary Koldingvej 2, Billund A/S in 2016 amounted to DKK 1,750 million compared with DKK 1,125 million in 2015.

## Development in activities and financial position

The satisfactory financial result for the LEGO Foundation is due to the continuing positive development of the LEGO Group, which had another successful year in 2016.

2016 was another year of record sales for the LEGO Group, but with slower growth than the extraordinary high levels seen in the past. Revenues increased by 6% in 2016 to DKK 37,934 million. The LEGO Group's profit before tax amounted to DKK 12,391 million in 2016

compared with DKK 12,148 million the year before, an increase of 2.0%.

The lower profit growth than in recent years is a result of a planned high level of investments in physical capacity and organisational capability-building intended to equip the company to continued future growth.

## Knowledge resources

In the LEGO Foundation's activities, staff are the single most critical resource. The staff – and their motivation and commitment – are absolutely critical for the LEGO Foundation's activities and result.

At the end of the 2016 financial year, the total number of employees in Billund (DK), Baar (CH), Kiev (UKR) and Enfield (US) was 41 compared with 40 at the end of 2015.

## Risks

The LEGO Foundation's risks primarily relate to developments in the financial markets and in the global markets where the LEGO Group is active.

## Research and development activities

In addition to having its own research centre working intensively with children's development and learning, the LEGO Foundation maintains an extensive network of partners working with research on children's development and learning, including many of the most reputable universities in the world.

## Corporate responsibility

The LEGO Foundation strives to observe and maintain high ethical standards in all operations carried out by the

Foundation itself as well as when working with strategic partners. The Foundation wants to have a positive impact on its stakeholders and its surroundings.

The Foundation's policy is to secure high standards for corporate responsibility in all operations carried out by the Foundation, and the Foundation supports the LEGO Group commitment to United Nations Global Compact and the Responsibility Report, describing how the LEGO Group is working within the areas of human rights, labour standards, the environment and anti corruption. The LEGO Group Responsibility Report 2016 is available at [www.LEGO.com/responsibility](http://www.LEGO.com/responsibility)

## Diversity policy

The board of directors has signed a general diversity policy, recognising the value of a diversified organisation, and striving for a balance between genders, with a specific commitment to keeping the minority gender at 25% or higher.

The current board of directors consists of four men and two women.

## Compliance status report

The LEGO Foundation follows Danish recommendations for good governance in corporate foundations. A compliance status report from the board of directors is available at [www.LEGOFoundation.com/da-dk/who-we-are/policies](http://www.LEGOFoundation.com/da-dk/who-we-are/policies).

## Expectations for 2017

The LEGO Group expects continued sales growth in 2017 and the LEGO Foundation expects continuous high level of activities. The overall result for the LEGO Foundation is expected to be satisfactory.

# Financial highlights

(Million DKK)	2016	2015	2014	2013	2012
<b>Income statement</b>					
Net result from subsidiaries	2,551	2,344	1,804	1,562	1,486
Other operating income	9	1	1	1	1
Result of financial items	4	1	13	24	33
Result before tax	2,442	2,249	1,734	1,529	1,479
Result during the year	2,442	2,248	1,734	1,529	1,479
<b>Balance sheet</b>					
Total assets	12,024	9,872	7,821	6,313	4,972
Equity	10,981	8,786	7,459	6,265	4,945
<b>Activities and commitments</b>					
Grant activities during the year	256	272	178	105	39
Expenses related to programmes	70	70	55	36	25
Expenses related to administration	51	27	29	22	15
Total activities during the year	378	369	262	163	80
Grant commitments during the year	210	983	458	126	45
<b>Employees</b>					
Average number (full-time) during the year	41	38	28	19	13
<b>Financial ratios</b>					
Portfolio cost share of total activities	86%	93%	89%	87%	75%
Administration cost share of total activities	14%	7%	11%	13%	25%

## Definitions, key figures and ratios

Activities: Administration + programme costs  
+ grant activity related to the financial year

Portfolio: Programme costs  
+ grants activity related to the financial year

Key figures and ratios have been calculated in accordance with descriptions below:

### PORTFOLIO COST SHARE:

Portfolio costs  
Activities

### ADMINISTRATION COST SHARE:

Administration  
Activities





**Financial  
statements**

# Management statement

The board of directors and executive management have today considered and adopted the annual report of the LEGO Foundation for the financial year 1 January–31 December 2016.

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31 December 2016, and of the Foundation's activities and cash flows for the financial year 1 January–31 December 2016.

We believe the management review includes a fair view of the development in the Foundation's activities and finances, the result for the year and the financial position

of the Foundation, as well as a review of the most significant risks and elements of uncertainty facing the Foundation.

We recommend that the annual report be approved at the annual meeting.

Billund, 6 March 2017

## Executive management

[Kasper Ottoson Kanstrup](#)  
Interim CEO

## Board of directors

[Thomas Kirk Kristiansen](#)  
Chairman of the board

[Kjeld Kirk Kristiansen](#)  
1st deputy chairman of the board

[Jørgen Vig Knudstorp](#)  
2nd deputy chairman of the board

[Agnete Kirk Thinggaard](#)  
Member of the board

[Mette Morsing Thyssen](#)  
Member of the board

[William Ervin Hoover](#)  
Member of the board





# Independent auditor's report

## To the board of directors and executive management of the LEGO Foundation

### Opinion

We have audited the financial statements of the LEGO Foundation for the financial year 1 January-31 December 2016, which comprise the summary of accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31 December 2016 and of its financial performance and cash flows for the financial year 1 January-31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Foundation in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, 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.

### Responsibility of the board of directors and executive management for the financial statements

The board of directors and executive management are responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as the board of directors and executive management determines 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 board of directors and executive management are responsible for assessing the Foundation's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting unless the board of directors and executive management either intends to liquidate the Foundation or to cease operations, or has 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 International Standards on Auditing and additional requirements applicable in Denmark 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.

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and executive management.
- Conclude on the appropriateness of the board of directors and executive management's use of the going concern basis of accounting in the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the management review

The board of directors and executive management are responsible for the management review.

Our opinion on the financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Aarhus, 6 March 2017

### Deloitte

Statsautoriseret Revisionspartnerselskab  
CVR no. 33 96 35 56

Thomas Rosquist Andersen  
State Authorised  
Public Accountant

Nikolaj Thomsen  
State Authorised  
Public Accountant



# Accounting policies

The accounting policies applied to the annual report in general are described below.

## Legislation

The LEGO Foundation annual report for 2016 has been prepared in accordance with the provisions of the Danish Act on Commercial Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting on class C large enterprises.

Prior years the LEGO Foundation has presented the annual report in accordance with the provisions of the Danish Financial Statement Act pertaining to reporting on class B enterprises. Changes compared to last year have solely caused additional information according to the provisions.

The income statement presents "expenses related to programmes" and "expenses related to administration" in order to give a fair and true view of the Foundation's activities. The clarification has no impact on the result for the year or the equity at the beginning or the end of the year.

## Consolidated financial statements

No consolidated financial statements have been prepared, as the company is a commercial foundation with no more than one subsidiary, the Foundation itself has only limited business activities, and the Foundation has no receivables from the subsidiary, besides receivable dividends and convertible outstandings, see section 111(2) of the Danish Financial Statements Act.

## Reporting currency

The annual report is presented in Danish kroner (DKK).

## Translation of foreign currency

Transactions in foreign currencies are translated into Danish kroner using the foreign exchange rates applicable on the transaction date. Monetary assets and liabilities in foreign currencies are translated into Danish kroner using the foreign exchange rates applicable on the balance sheet date. Realised and unrealised foreign exchange gains and losses are recognised in the income statement under financial income and expenses, except exchange gains and losses related to grant commitments.

## Recognition and measurement in general

Income is recognised in the income statement as earned. Furthermore, all expenses incurred to generate the year's earnings, including depreciation and amortisation, impairment losses and write-downs and provisions, are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the entity, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the entity and the value of such liabilities can be measured reliably. Upon initial recognition, assets and liabilities are measured at cost.

On recognition and measurement, allowance is made for foreseeable losses and risks arising before the time at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

## Income statement Investments in subsidiaries

Income from investments in subsidiaries consists of the proportional share of its profit after tax and any adjustment of internal profit/loss and deduction of amortisation of goodwill on consolidation.

## Other operating income

Other operating income consists of rental income from a leasehold house sold on 31 December 2016.

## Depreciation

Depreciation of and impairment losses on property, plant and equipment are based on an ongoing assessment of the useful lives of the entity's assets. Non-current asset depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life: buildings 25 years and infinity for the antique collection presented as other fixed assets.

Gains and losses from the disposal of non-current assets are recognised in the income statement under other operating income and expenses.

## Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts related to the financial year. Financial income and expenses include interest income and interest expenses, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies.

## Tax

The LEGO Foundation has opted to use section 3(4) of the Danish Corporation Tax Act. Under these rules, the taxable income of Koldingvej 2, Billund A/S is considered to have been earned by the LEGO Foundation if the taxable income is distributed as dividends to the LEGO Foundation. Since the LEGO Foundation's taxable income is regularly offset against grants for the year and provisions for future grants, no current or deferred tax is recognised.

## Balance sheet Property, plant and equipment

Property, plant and equipment are measured at cost plus any revaluations and less accumulated depreciation and impairment losses. Cost comprises the acquisition price and directly related costs up until such time as the asset is ready for use.

Impairment testing of property, plant and equipment is performed if indications of impairment exist. The impairment test is performed for each individual asset or group of assets. Assets are impaired to the higher of the capital value of the individual asset or asset group and the net sales price (recoverable amount) if this is lower than the carrying amount.

## Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method based on the proportionally owned share of the subsidiaries equity plus any consolidated goodwill and less intra-group gains and negative goodwill. Entities with negative equity are recognised at zero, with the negative value corresponding to the proportionate share being offset against any receivables. Any amounts over and above this are recognised under provisions if a legal obligation or other obligation to cover the deficit exists.

## Securities

Securities are measured at fair value. For listed equities at market value and at estimated fair value for unlisted equities.

## Other receivables

Other receivables are measured at amortised cost, which usually corresponds to nominal value. The value is reduced by provisions for expected losses.

## Cash

Cash comprises cash at bank and in hand.

## Liabilities

Liabilities are measured at amortised cost, which usually corresponds to nominal value.

## Committed grants

Committed grants comprise grants that are conditional upon fulfilment of certain conditions. Non-disbursed committed grants are recognised as non-current liabilities, except for the short term part of the liability that are recognised as current liabilities.

## Cash flow statement

The cash flow statement shows the Foundation's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Foundation's cash and cash equivalents at the beginning and end of the year.

## Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital.

## Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

## Cash flows from financing activities

Cash flows from financing activities comprise payments of committed grants.

# Income statement

1 January–31 December

(tDKK)	Note	2016	2015
Net result from subsidiaries		2,550,834	2,343,662
Other operating income		8,840	1,238
Financial income		6,463	11,301
Financial expenses		(2,127)	(10,147)
<b>Total net income</b>		<b>2,564,010</b>	<b>2,346,054</b>
<b>Expenses related to programmes</b>			
Employee expenses	1	(29,889)	(32,627)
Operating expenses	2	(40,551)	(37,820)
<b>Total expenses related to programmes</b>		<b>(70,440)</b>	<b>(70,447)</b>
<b>Expenses related to administration</b>			
Employee expenses	1	(14,787)	(11,200)
Operating expenses	2, 3	(36,156)	(15,193)
Depreciation	4	(384)	(435)
<b>Total expenses related to administration</b>		<b>(51,327)</b>	<b>(26,828)</b>
<b>Total expenses</b>		<b>(121,767)</b>	<b>(97,275)</b>
<b>Result before tax</b>		<b>2,442,243</b>	<b>2,248,779</b>
Tax on result for the year		(324)	(296)
<b>Result for the year</b>	5	<b>2,441,919</b>	<b>2,248,483</b>

# Activity reporting

1 January–31 December

(tDKK)	Note	2016	2015
<b>Grants</b>			
Grant to Ole Kirk's Foundation		75,000	75,000
Grant activities, core programmes, committed current year		18,639	19,959
Grant activities, core programmes, committed previous years		162,144	177,158
<b>Current year's grant activity</b>		<b>255,783</b>	<b>272,117</b>
<b>Expenses</b>			
Expenses related to programmes		70,440	70,447
Expenses related to administration *		51,327	26,828
<b>Current year's expenses in total</b>		<b>121,767</b>	<b>97,275</b>
<b>Total activities during the year</b>		<b>377,550</b>	<b>369,392</b>

## Activity reporting

The income statement for the LEGO Foundation is prepared in accordance with the provisions of the Danish Act on Commercial Foundations and presented in accordance with the provisions of the Danish Financial Statements Act pertaining to reporting class C large enterprises (Danish GAAP).

The LEGO Foundation measures its "activities" as the sum of grant activities, expenses related to programmes and expenses related to administration. The total activities for the year are specified above, because the information cannot be seen directly in the income statement.

Grant activities for each programme described in the Foundation's distribution policy have been summarised in the section "Report on distribution policy" as part of the Management review.

\* Including external consulting fees related to the work with the strengthening and implementation of the Foundation's strategy.

# Balance sheet

at 31 December

(tDKK)	Note	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land and buildings	4	-	6,460
Other fixed assets	4	3,000	3,000
<b>Property, plant and equipment</b>		<b>3,000</b>	<b>9,460</b>
Investments in subsidiaries	6	10,410,395	8,018,560
Receivables from subsidiaries	7	1,102,891	-
<b>Financial non-current assets</b>		<b>11,513,286</b>	<b>8,018,560</b>
<b>Total non-current assets</b>		<b>11,516,286</b>	<b>8,028,020</b>
<b>Current assets</b>			
Receivables from subsidiaries		-	1,367,694
Other receivables		23,119	9,662
Securities		304,320	403,151
Cash		180,292	63,252
<b>Total current assets</b>		<b>507,731</b>	<b>1,843,759</b>
<b>Total assets</b>		<b>12,024,017</b>	<b>9,871,779</b>

# Balance sheet

at 31 December

(tDKK)	Note	2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Basic capital		262,453	262,453
Reserve from the use of the equity method		9,751,402	7,359,568
Reserved for future grants		807,367	766,894
Retained earnings		160,026	397,177
<b>Total equity</b>		<b>10,981,248</b>	<b>8,786,092</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Committed grants	8	714,759	800,102
<b>Total non-current liabilities</b>		<b>714,759</b>	<b>800,102</b>
<b>Current liabilities</b>			
Short-term part of committed grants	8	294,250	250,990
Trade payables		16,748	5,913
Payables to subsidiaries		4,334	2,276
Payables to associates		4,435	7,606
Other payables		8,243	18,800
<b>Total current liabilities</b>		<b>328,010</b>	<b>285,585</b>
<b>Total liabilities</b>		<b>1,042,769</b>	<b>1,085,687</b>
<b>Total equity and liabilities</b>		<b>12,024,017</b>	<b>9,871,779</b>
Contingent liabilities and other obligations	9		
Related party transactions	10		

## Statement of changes in equity

(tDKK)	2016	2015
<b>Basic capital</b>		
Balance at 1 January	262,453	262,453
<b>Basic capital at 31 December</b>	<b>262,453</b>	<b>262,453</b>
<b>Reserve from the use of the equity method</b>		
Balance at 1 January	7,359,568	5,071,656
Distribution of result	2,550,834	2,343,662
Dividend distributed	(122,000)	(117,000)
Other comprehensive income/(expenses)	(37,000)	61,250
<b>Reserve from the use of the equity method at 31 December</b>	<b>9,751,402</b>	<b>7,359,568</b>
<b>Reserved for future grants</b>		
Balance at 1 January	766,894	500,000
Distribution of result	250,000	500,000
Extraordinary distribution during the year	-	750,000
Commitments during the year	(209,527)	(983,106)
<b>Reserved for future grants at 31 December</b>	<b>807,367</b>	<b>766,894</b>
<b>Retained earnings</b>		
Balance at 1 January	397,177	1,625,237
Dividend received	122,000	117,000
Distribution of result	(358,915)	(1,345,179)
Currency translation	(236)	119
<b>Retained earnings at 31 December</b>	<b>160,026</b>	<b>397,177</b>
<b>Total equity</b>	<b>10,981,248</b>	<b>8,786,092</b>

## Cash flow statement

1 January–31 December

(tDKK)	2016	2015
Result for the year	2,441,919	2,248,483
Net result from subsidiaries	(2,550,834)	(2,343,662)
Depreciation and gain on sale of assets	(7,541)	435
Financial income with no effects on result for the year	4,173	7,805
Currency translation	(236)	119
Changes in receivables	(13,457)	12,074
Changes in payables	(835)	5,411
<b>Cash flows from operating activities</b>	<b>(126,811)</b>	<b>(69,335)</b>
Changes in receivables from subsidiary	264,803	132,650
Dividend received	122,000	117,000
Sale of securities, net	98,831	150,996
Sale of property, plant and equipment	14,000	93
<b>Cash flows from investment activities</b>	<b>499,634</b>	<b>400,739</b>
Grants paid	(255,783)	(272,117)
<b>Cash flows from financing activities</b>	<b>(255,783)</b>	<b>(272,117)</b>
<b>Net cash flows for the year</b>	<b>117,040</b>	<b>59,287</b>
Cash and cash equivalents at 1 January	63,252	3,965
<b>Cash and cash equivalents at 31 December</b>	<b>180,292</b>	<b>63,252</b>

# Notes

## NOTE 1. EMPLOYEE EXPENSES

(tDKK)	2016	2015
Employee expenses related to programmes	29,889	32,627
Employee expenses related to administration	14,787	11,200
<b>Total employee expenses</b>	<b>44,676</b>	<b>43,827</b>
<b>Which can be split into:</b>		
Wages and salaries	34,974	36,737
Pension costs	2,551	2,314
Other staff and social security expenses	7,151	4,776
<b>Total employee expenses</b>	<b>44,676</b>	<b>43,827</b>
<b>Salaries and remuneration for leadership team*</b>	<b>13,507</b>	<b>11,536</b>
<b>Remuneration board of directors</b>	<b>400</b>	<b>400</b>
<b>Average number of employees</b>	<b>41</b>	<b>38</b>

\*) Since the LEGO Foundation executive management consists of just one person, remuneration for management is disclosed as the total remuneration amount, including benefits, paid to the LEGO Foundation leadership team.

## NOTE 2. OPERATING EXPENSES

(tDKK)	2016	2015
Operating expenses related to programmes	40,551	37,820
Operating expenses related to administration	36,156	15,193
<b>Total operating expenses</b>	<b>76,707</b>	<b>53,013</b>

# Notes

## NOTE 3. AUDITORS' FEES

(tDKK)	2016	2015
Statutory audit of the financial statements	106	72
Tax assistance	25	-
Other assistance	266	33
<b>Total auditors' fees</b>	<b>397</b>	<b>115</b>

## NOTE 4. PROPERTY, PLANT AND EQUIPMENT

(tDKK)	Land and buildings	Other fixed assets
<b>Cost</b>		
Cost at 1 January 2016	10,792	3,350
Disposal for the year	(10,792)	-
<b>Cost at 31 December 2016</b>	<b>-</b>	<b>3,350</b>
<b>Depreciation</b>		
Depreciation at 1 January 2016	6,460	350
Depreciation for the year	384	-
Disposal for the year	(6,844)	-
<b>Depreciation at 31 December 2016</b>	<b>-</b>	<b>350</b>
<b>Carrying amount at 31 December 2016</b>	<b>-</b>	<b>3,000</b>

# Notes

## NOTE 5. DISTRIBUTION OF RESULT

(tDKK)	2016	2015
Reserved for future grants	250,000	500,000
Extraordinary reserved for future grants during the year	-	750,000
Reserve from the use of the equity method	2,550,834	2,343,662
Retained earnings	(358,915)	(1,345,179)
<b>Total distribution of result</b>	<b>2,441,919</b>	<b>2,248,483</b>

## NOTE 6. INVESTMENTS IN SUBSIDIARIES

(tDKK)	2016	2015
<b>Cost</b>		
Cost at 1 January	658,992	658,992
<b>Cost at 31 December</b>	<b>658,992</b>	<b>658,992</b>
<b>Value adjustment</b>		
Value adjustment at 1 January	7,359,568	5,071,656
Share of result for the year	2,550,834	2,343,662
Dividend distributed	(122,000)	(117,000)
Other comprehensive income/(expenses)	(37,000)	61,250
<b>Value adjustment at 31 December</b>	<b>9,751,402</b>	<b>7,359,568</b>
<b>Carrying amount at 31 December</b>	<b>10,410,395</b>	<b>8,018,560</b>

### Information about subsidiaries:

Name	Municipality	Ownership
Koldingvej 2, Billund A/S	Billund	100%

# Notes

## NOTE 7. LONG-TERM RECEIVABLES FROM SUBSIDIARIES

(tDKK)	2016	2015
<b>Cost</b>		
Cost at 1 January	-	-
Additions	1,102,891	-
<b>Cost at 31 December</b>	<b>1,102,891</b>	<b>-</b>
<b>Carrying amount at 31 December</b>	<b>1,102,891</b>	<b>-</b>

The long-term receivable from subsidiary is a convertible loan.

## NOTE 8. COMMITTED GRANTS

(tDKK)	2016	2015
Committed grants at 1 January	1,051,092	332,298
Commitments during the year	209,527	983,106
Grant activities during the year	(255,783)	(272,117)
Currency adjustments	4,173	7,805
<b>Committed grants at 31 December</b>	<b>1,009,009</b>	<b>1,051,092</b>
Committed grants, due within one year (current liabilities)	294,250	250,990
Committed grants, due after one year (non-current liabilities)	714,759	800,102
<b>Total committed grants</b>	<b>1,009,009</b>	<b>1,051,092</b>

# Notes

### NOTE 9. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The Foundation has lease obligations amounting to DKK 1,208 (2015 = DKK 1,608).

### NOTE 10. RELATED PARTY TRANSACTIONS

The Foundation's related parties comprise the board of directors and the executive management of the LEGO Foundation. Related parties also comprise subsidiaries and associates and boards of directors and executive management of these companies.

Transactions have been conducted on normal commercial terms.

There were no transactions during the financial year with the board of directors or the executive management besides remuneration, see note 1.

Transactions with subsidiaries and associates included the following (tDKK):

(tDKK)	2016	2015
Grants	36,379	33,725
Purchase of goods and services	5,215	4,181
<b>Total related party transactions</b>	<b>41,594</b>	<b>37,906</b>

Receivables and liabilities related to subsidiaries and associates are specified in the balance sheet.





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