

Charity Registration No. 1017336

Company Registration No. 02787008 (England and Wales)



THE ELTON JOHN AIDS FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2007

THE ELTON JOHN AIDS FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Sir Elton John (Chairman) R Key (Executive Director) A Aslett J Bergius D Furnish L Jackson M Littman J Locke F Presland S Campbell R Manoukian
Secretary	Charles Negus-Fancey
Charity number	1017336
Company number	02787008
Principal address	1 Blythe Road London W14 0HG
Registered office	1 Blythe Road London W14 0HG
Auditors	Sharpe Fairbrother Chartered Accountants 67/69 George Street London W1U 8LT
Bankers	Barclays Private Bank Limited 59 Grosvenor Street London W1K 3JD
Solicitors	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL

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THE ELTON JOHN AIDS FOUNDATION
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TRUSTEES' REPORT

The trustees of The Elton John AIDS Foundation are pleased to present their report together with the financial statements of the charity for the year ended 31 December 2007.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's governing document, applicable law and the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued in March 2005.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Elton John AIDS Foundation is a company limited by guarantee and therefore has no share capital. The company is registered as a charity with the Charity Commission (Charity Number 1017336).

Governing Document

The Elton John AIDS Foundation was incorporated on 1st February 1993 and is governed by its Memorandum and Articles of Association.

Trustees, who are also directors for the purpose of company law, who served during the year, are:

Sir Elton John	(Chairman)
R Key	(Executive Director)
A Aslett	
J Bergius	
D Furnish	
L Jackson	
M Littman	
J Locke	
F Presland	
J Scott	(resigned 5th June 2007)
N Tennant	(resigned 30th April 2007)

Two trustees resigned, Neil Tennant, on 30th April 2007 and John Scott, on 5th June 2007. There were no new trustees appointed in 2007.

The Foundation has a wholly owned trading subsidiary (EJAF Trading Limited), which provides the management for one-off fundraising events.

Directors of EJAF Trading Limited:

Sir Elton John
R Key

Governance Structure

The trustees determine the Foundation's mission statement, charitable aims, objectives, fundraising, and specific priorities in terms of types of grant and geographical locations in a given year.

The trustees have delegated authority for the review and recommendation of grants to a Grant Panel. The Grant Panel consists of voting trustees, specialist advisors where appropriate and members of the grants staff. The panel reviews the grant assessments against strategic objectives and mission of the Foundation, taking into account current funding portfolio and the country strategy. The trustees, by means of a majority vote, make funding decisions at the Grant Panel meeting. The board of trustees ratifies these decisions at a trustees meeting. There is an appeal procedure for grant applicants who are unsuccessful.

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The Executive Director is appointed by the trustees to manage the day-to-day workings of the charity. To facilitate effective operations, the Executive Director has, within terms of delegation approved by the trustees, delegated authority for operational matters, including grants, fundraising and finance.

Trustees' induction and training

When a new trustee is appointed they undergo an induction day to brief them on their legal obligations under charity and company law, the content of the charity's Memorandum and Articles of Association, its current funding criteria, aims and objectives. The two trustees, who resigned in 2007, will be replaced by two new trustees. A trustees' handbook will be distributed in 2008.

Role and contribution of Volunteers

In line with our mission statement, volunteers play a vital part in supporting the fundraising and charitable activities of The Elton John AIDS Foundation.

Internal Control

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

MANAGEMENT POLICIES AND PROCEDURES

Following on from the management audit of the charity which resulted in the revised mission statement, statement of values, Staff Handbook (which was distributed in 2007) and other documents being approved and formally adopted by the Board in November 2006; the Strategic Objectives of the Foundation were reviewed against set goals to determine the extent that they were met and to measure the specific benefit to the charity's defined beneficiaries. A SWOT analysis of the strengths, weaknesses, opportunities and threats facing the organisation was conducted in December 2007.

The last year has seen many statutory changes regarding the employment of staff, resulting in new policies and procedures. These changes have now been incorporated into a revised Staff Handbook and we now have legal clearance from the Foundation's solicitors which resulted in staff receiving handbooks in December 2007.

A grant-panel format and handbook was produced in 2006 and updated in 2007. As part of a revised grant process a new concept-note format was introduced and is now available on our website.

OBJECTIVES AND ACTIVITIES

The overall objectives of the charitable foundation, as defined in the mission statement, are:

The Elton John AIDS Foundation exists to empower people infected, affected and at risk of HIV/AIDS, to alleviate their physical, emotional and financial hardship, enabling them to improve their quality of life, live with dignity and exercise self-determination.

EJAF believes and values that:

- Everyone is entitled to dignity and respect.*
- Everyone has the right to access the best medicine.*
- Everyone has the right to information, opportunities and choices as part of the empowerment process.*
- Those most directly affected by the epidemic are central to finding effective solutions.*
- Care and concern for each and every person, respect for their human and legal rights – particularly of the most vulnerable and marginalised – is central to any caring community.*

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EJAF aims to:

- *Be transparent and accountable.*
- *Be effective and responsive as a grant making charity.*
- *Achieve a positive impact with its funding.*
- *Work in partnership with a wide range of stakeholders.*
- *Learn from its work and share knowledge gained.*

Activities

The Foundation continues to fund a broad range of services for those living with or affected by HIV/AIDS, including education, peer support, medical care, income generation, counselling and testing. The Foundation funds operational research but does not support pure medical research. Particular emphasis is given to the most disadvantaged or high risk groups, both nationally and internationally, and to community driven programmes that place people living with HIV/AIDS at the centre of service provision.

In pursuing its objectives the Foundation's activities fall in to three main areas:

1. The direct charitable activities that consist of Grant Making for:
 - A. Funding UK Projects
 - B. Funding International Projects
 - C. Providing Small Grants
2. Fundraising and promotional activities
3. Management and governance activities

ACHIEVEMENTS AND PERFORMANCE

Progress in The Elton John AIDS Foundation's main areas of activity during 2007 is reported on below with relevant financial information in the Financial Statements pages.

1. GRANT MAKING

During 2007 the Foundation assessed and researched 60 applications from its 17 programme countries, of which 49 received approval for funding. This is in line with the agreed strategy of

- Supporting fewer organisations over longer periods of time to ensure stability for the grantee organisation and offer programmes adequate timescales in which to achieve their objectives.
- Only funding those programmes which meet the objectives of the Foundation's country strategies, which have been developed in the context of current and anticipated needs in relation to the AIDS epidemic; available funding support and in-country capacity. Such programmes must demonstrate measurable benefit to those they seek to support, should complement or integrate with other initiatives, avoid duplication and leverage additional support where possible.

In line with this strategy:

- 59% of funding is now accounted for by grants over £300,000.
- Grants between £6,000 - £100,000 halved in total value from the previous year.
- The number of projects funded dropped by 50%.

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- Detailed country profiles, and corresponding funding strategies have been developed, received Board approval and are now part of selection criteria for applications relating to the following countries:

Cambodia
Kenya
Lesotho
Malawi
South Africa
Uganda
UK
Ukraine
Zambia

Strategies have yet to be finalised for Bangladesh, Eire, India, Nepal, Russia and Tanzania.

The grants database was fully operational during the year and further training in its use was undertaken by three members of staff. The Grant Panel procedures, documentation and outcomes has been fully integrated into the database, and length and types of grants can now be tracked across all funding. The number of indirect and direct beneficiaries for each project are now included for 80% of all projects over the past two years.

A. Funding UK Projects

As mentioned above, a detailed country profile and funding strategy has been developed for the UK. This follows and complements The Growing Challenge report co-funded by the Foundation together with other members of the UK AIDS Funders Forum undertaken by SIGMA and published in March 2007.

During 2007 Babs Evans replaced Rod Beadles as UK Grants Manager. This transition led to a reduction in UK grant making whilst the UK research and strategy work was completed. In 2008 the new UK Grants Manager will undertake field trips to a broad range of HIV/AIDS services in the UK and consult current and potential Elton John AIDS Foundation grantees on our 2007-2010 funding strategy. As the UK HIV/AIDS sector constricts, particular emphasis will be placed on programmes that demonstrate collaboration between partners, complement/integrate with UK government policy and that address specific at risk groups where they live.

B. International Projects

During 2007 The Elton John AIDS Foundation grant strategies for Cambodia, Kenya, Lesotho, Malawi, South Africa, Uganda, Ukraine and Zambia were made available to the public via a newly launched website. These are twinned with a précis of the HIV/AIDS context in a given country, and explanation of the Foundation's responses to date. Content was also provided on five thematic areas of funding for the Foundation – Women & Children, Vulnerable Groups, Positive Lives, Innovation and Livelihoods. Collectively, these resources give a full account of how the Foundation views the needs and challenges in its funding across programme countries, what it has achieved to date both by country and type of funding, and where it hopes to make a difference in the future.

Country consultants were retained for South Africa, India and Ukraine.

Given EJAF US's recent successes in fundraising and hence its expanded capacity to fund programmes beyond North America, it is proposed that Mexico and Brazil country programmes be taken under their purview, along with USA, Canada and the Caribbean, pending adoption of suitable grant procedures, appointment of grant staff and Board approval. It is envisaged that this transition will be complete by August 2008. This transition is highlighted in the Mexico and Brazil grant making

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strategy documents available via the Foundation's website, which specify we will not be soliciting any further applications in these programme countries.

A major awareness and fundraising concert was staged in Kiev, highlighting the Foundation's past work in mass media campaigns, and technical support and funding for the All-Ukrainian Network of People Living with HIV/AIDS. A significant donation was ring fenced towards new projects that mitigate the impact of HIV/AIDS for **children infected/affected by the disease across Ukraine**. A five-year programme has been developed and has secured an additional £500,000 in funding from Big Lottery. The programme will be launched in Ukraine in early 2008.

The **Funding Collaborative For Children (FCFC)**, established in 1996, was formally incorporated by a memorandum of understanding between four funding partners in 2007. Children's Investment Fund Foundation (CIFF), one of the funding partners, has agreed to act as conduit for funds. A Programme Manager and Administration Officer joined Programme Director Noerine Kaleeba at the FCFC's offices in Blantyre, and external evaluators have been secured for both the programmatic work in Malawi and evaluation of the collaborative funding model by UK grantmakers. The first district of operation – Salima – has been selected and a five-year proposal developed and costed. The initiative has been launched to the European philanthropic sector via the European Funders Group annual conference in Madrid.

A programme was developed in Lesotho in collaboration with the Ministry of Health, Clinton HIV/AIDS Paediatric Initiative and Partners In Health **to mobilise a health fleet** at 20%-30% of the country's clinics enabling significant scale up of paediatric treatment, prevention of mother to children transmission (PMTCT) and TB treatment, and improving the reliability and frequency of sample collection from patients. The programme will be implemented by Riders for Health.

C. Providing Small Grants

Firelight Foundation continued to administer a small grants programme on behalf of the Foundation, assessing and proposing for support grass roots organisations in Lesotho, Malawi, South Africa, Tanzania and Zambia. Associacao Saude da Familia (ASF) administers the Small Grant Fund for the Foundation in Brazil. Small grant requests for all other programme countries are currently dealt with in-house.

2. FUNDRAISING ACTIVITIES

The income is generated from private donations, grant making trusts and fundraising activities including ticket sales, auctions, sponsorship and merchandise.

The report gives an overview of the fundraising programme that ran during 2007. The activities and voluntary income brought in a total income of £11.4m over this period.

The principal fundraising event The Ninth White Tie & Tiara Ball was held in June 2007. The event raised a total of over £6m net income: an increase of 43% on the previous year.

A programme of events in 2007 with Grey Goose Vodka netted a further £350,000.

The Foundation continues to rely on the support and generosity of certain trustees; in 2007 it continued to receive the donations in lieu of presents from the civil partnership of David Furnish and Sir Elton John, and from a sponsored climb of Mount Aconcagua, on the Chile-Argentina border, by Johnny Bergius. Donations from friends and supporters were received in celebration of Elton's 60th Birthday in March 2007.

A new website has now been launched (www.ejaf.com) to inform our supporters of the work of the Foundation as well as alerting them to forthcoming fundraising activities and events.

A new fundraising database which encompasses event management software has been implemented

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and will be fully operational for events throughout 2008.

The events continued to receive good support.

We would like to thank Comic Relief for recognising the Foundation's expertise in funding HIV/AIDS programmes; and The Rufford Maurice Laing Foundation who have provided a grant for the last six consecutive years.

We are delighted to have forged a new partnership with the Elena Franchuk ANTI/AIDS Foundation and Victor Pinchuk Foundation in Ukraine. We will be collaborating on supporting a number of programmes in line with The Elton John AIDS Foundation's Ukraine funding strategy.

Overseas operations

The charity established a partner company in South Africa - Elton John AIDS Foundation (South Africa) Registration number IT3473/2004 038-398-NPO - in November 2004 to facilitate a fundraising event in Cape Town in January 2005. The net proceeds of events held in South Africa are distributed by EJAF SA, within South Africa to HIV/AIDS programmes supported there under funding guidelines which match those of the UK Foundation.

3. MANAGEMENT AND GOVERNANCE ACTIVITIES

During the course of 2007, the Foundation undertook a number of management and governance activities in order to make the operation of the charity more effective and accountable:

These included a Funky Finance day to help explain to both trustees and staff how the process of finance (for example, ability to read audited accounts) could be made more understandable and provided staff with a clearer understanding of how charity and financial accountability could be easier in their various duties.

One trustee undertook 'Introduction to Management', a two-day course.

After a tendering process, the website underwent a major redevelopment in 2007 to expand the content and enhance the presentation of information about the Elton John AIDS Foundation (EJAF) online. The site was designed by Ivan Bell at Stranger & Stranger and developed by Jamkit and features a content management system which allows staff to update and modify content easily, email newsletter registration, online donations, an interactive world map linking to the Foundation's work in each country, sponsor links and a news ticker.

The new site's overall goals are to:

- Provide a conduit for information about the Foundation's international grants and fundraisers.
- Ensure that programme proposals are closer aligned with the Foundation's grant making strategy.
- Convey the close association between Elton John and the Foundation.
- Clarify what the Foundation is and what it does.

The new site was launched on the 14 November 2007 under the new domain name of www.ejaf.com.

Appraisals are carried out annually for all staff and the training needs have been identified for 2008.

After a requirements analysis and study of available software, a new fundraising database was acquired in 2007 - The Raisers Edge - the leading international software package for non-profit organisations. Existing contacts and addresses were rationalised and cleansed and the database is now operational.

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A Strategy Day was held at the end of 2007 to review the year and to set the operational objectives for 2008.

With the newly designed Website, it was decided to discontinue the Newsletter and impart all future information on the work of the Foundation on the website www.ejaf.com which is updated regularly.

Sale of Bethany Land - The land in Cornwall, owned by EJAF Trading Ltd, that was used by the Bethany Trust, who ran a hospice for the terminally ill, which with the advent of ARV's, decided to close. This has meant the disposal of the garden and the land was offered for sale. The sale of this land was completed in January 2007.

The Foundation undertook meetings with financial institutions to explore the most appropriate investment plan for a proportion of our reserves. Proposals were received, and three institutions were shortlisted. It was decided by the trustees to appoint Barclays Wealth due to their pre-eminent position as advisors to charity and to their quality of service, personnel, and strong financial position.

4. FINANCIAL REVIEW

The charity has a wholly owned trading subsidiary, EJAF Trading Limited, which provides the management for one-off fundraising events. The trustees were satisfied with the subsidiary's results for the year ended 31st December 2007.

Review of Financial Position

The previous year's successful fundraising continued in 2007. The net income was £11.7m as compared to £7.3m in the previous year. The total funds increased from £9.5m to £16.0m (Unrestricted funds £12.8m, Restricted funds £3.2m).

Resources expended in the year were £6.1m as compared to £5.4m in 2006. The total operating costs were £603,999 (5.15% of net income) compared to £506,558 (6.92% of net income) in 2006.

Investment and Reserves Policy

At the end of 2007 the total assets less current liabilities were £16.0m (last year £9.5m). Cash of £16.1m (£10.2 in 2006) was invested in short-term money market deposits with a range of reputable financial institutions.

The policy of the Foundation continues to move from making small and medium sized grants to funding larger and longer term grants. This necessitates the building of reserves to ensure that as these commitments are entered into, there are sufficient funds set aside to meet them.

Currently such commitments, including future commitments of grants already entered into, amount to £6.1m, as of end February 2008.

Additionally, it is intended to increase the level of grants significantly

Furthermore, the trustees believe it to be prudent to build funds for the medium term to ensure that the works of the Foundation can continue into the next decade, being mindful of the Foundation's role as significant HIV/AIDS grantmaker internationally, and particularly in the UK where it is the largest non-statutory funder in the HIV/AIDS sector.

The trustees consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the Foundation's current activities, and fulfil any future accrued grant obligations, whilst giving consideration to ways in which additional funds may be raised.

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This level of reserves has been maintained throughout the year.

Risk Statement

The trustees have assessed the major risks to which the Foundation is exposed, and are satisfied that systems are in place to mitigate exposure to the major risks.

5. PLANS FOR FUTURE PERIODS

Grants

- Completion of remaining country profiles and corresponding funding strategies for Nepal, Bangladesh, Eire and Tanzania.
- Funding strategies for all programme countries publicly available via website.
- Consultation process with major stakeholders in the UK regarding UK country strategy.
- Developing robust monitoring and evaluation frameworks across thematic areas of funding.
- Implement tracking system for analysing trends in geographical grants split, length and size of grant to interrogate trends in grant making.
- Programme funding in Mexico and Brazil will progressively devolve to our sister organization in the USA, who will take on this responsibility fully and formally from August 2008.
- Grants Administration will conduct an evaluation amongst former applicants to the Foundation to assess how they found the process of application – forms, assessment etc.
- Grants Administration will conduct an evaluation amongst lapsed/former grantees to ascertain the impact and leverage (if any) of The Elton John AIDS Foundation's support after the expiry of the grant.

Communication

- Develop and formalise a communication strategy across all areas of our work, including identifying a wider range of audio/visual materials for and from projects. (These resources will also be tracked on the grants database).

Fundraising

- To focus on strengthening current annual events and concentrating on developing a major annual event due to be launched in December 2008, to sit alongside The White Tie & Tiara Ball; along with producing a number of one off special events and merchandise.
- The Contact Database has been both updated and streamlined. Further training days are set for two members of staff in Spring 2008.

Governance

- In line with trustees' due diligence, the Chairman and two trustees will undertake field trips to view projects in South Africa and Lesotho, and separately, India and Nepal in 2008.
- Assessment of governance development in line with PQASSO Level II.

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Management

- The Foundation's work-flow process to be streamlined.
- Analysis of time management and additional resource requirements (technical and personnel) to manage grant making activities during 2008/9.

Statement of Trustees' Responsibilities

Company law requires the trustees to prepare statements for each financial year that give a true and fair view of the charitable company's state of affairs at the end of the year and of its income and expenditure for that period.

In preparing those accounts, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the accounts comply with the Companies Act 1985. The trustees 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.

In accordance with company law, as the company's directors, we certify that:

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- We have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Auditors

A resolution will be proposed at the Annual General Meeting that Sharpe Fairbrother be re-appointed as auditors to the charity for the ensuing year.

R Key (Executive Director)
Trustee

Dated:

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE ELTON JOHN AIDS FOUNDATION

We have audited the group financial statements of The Elton John AIDS Foundation for the year ended 31 December 2007 set out on pages 12 to 23 which have been prepared under the accounting policies set out on page 15.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

As described on page 9, the trustees, who are also the directors of The Elton John AIDS Foundation for the purpose of company law, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the accounts, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read other information contained in the Trustees' Report, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF THE ELTON JOHN AIDS FOUNDATION

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and parent company's affairs as at 31 December 2007 and of its result for the year then ended;
- the information given in the trustees' report is consistent with the financial statements; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Sharpe Fairbrother
Registered Auditor
Chartered Accountants
67/69 George Street
London W1U 8LT

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Unrestricted funds £	Restricted funds £	Total 2007 £	Total 2006 £
<u>Incoming resources</u>					
Voluntary income	2	5,414,485	2,484,175	7,898,660	4,920,626
Trading income	3	3,523,183	-	3,523,183	2,939,171
Investment income	4	814,940	-	814,940	338,643
Other incoming resources	5	451,799	-	451,799	-
Total incoming resources		10,204,407	2,484,175	12,688,582	8,198,440
<u>Resources expended</u>					
Costs of generating funds					
Costs of generating voluntary income	6	59,326	-	59,326	98,165
Trading expenses	6	963,933	-	963,933	875,981
Fundraising costs	6	228,243	-	228,243	176,252
Charitable activities					
Grants made	6	3,240,277	1,321,541	4,561,818	3,997,941
Grants' costs	6	220,521	-	220,521	182,279
Governance costs	6	57,953	-	57,953	49,862
Total resources expended		4,770,253	1,321,541	6,091,794	5,380,480
Net incoming resources before transfers		5,434,154	1,162,634	6,596,788	2,817,960
Transfers					
Gross transfers between funds	7	12,748	(12,748)	-	-
Net movement in funds		5,446,902	1,149,886	6,596,788	2,817,960
Fund balances at 1 January 2007		7,404,226	2,059,349	9,463,575	6,645,615
Fund balances at 31 December 2007		12,851,128	3,209,235	16,060,363	9,463,575

All amounts relate to continuing operations. All gains and losses recognised in the current and preceding financial year are included in the statement of financial activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 1985.

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CONSOLIDATED AND CHARITY BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Notes	Group 2007 £	2006 £	Charity 2007 £	2006 £
Fixed assets					
Tangible assets	10	21,843	59,106	15,010	9,966
Investments	3	-	-	1	1
		21,843	59,106	15,011	9,967
Current assets					
Debtors	11	162,361	15,391	507,522	394,116
Cash at bank and in hand		16,506,220	10,203,496	16,136,703	9,866,153
		16,668,581	10,218,887	16,644,225	10,260,269
Creditors: amounts falling due within one year	12	(630,061)	(814,418)	(598,873)	(806,661)
Net current assets		16,038,520	9,404,469	16,045,352	9,453,608
Total assets less current liabilities		16,060,363	9,463,575	16,060,363	9,463,575
Restricted funds	13	3,209,235	2,059,349	3,209,235	2,059,349
Unrestricted funds	14	12,851,128	7,404,226	12,851,128	7,404,226
		16,060,363	9,463,575	16,060,363	9,463,575

The accounts were approved by the Board

R Key (Executive Director)
Trustee

Trustee

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

		2007		2006	
	Notes	£	£	£	£
Net cash inflow from operating activities	15		5,015,870		2,614,514
Return on investments and servicing of finance					
Interest received		814,940		338,643	
Net cash inflow for returns on investments and servicing of finance			814,940		338,643
Capital expenditure and financial investment					
Payment to acquire tangible fixed assets		29,025		7,486	
Net proceeds from sale of tangible fixed assets		(500,939)		-	
Net cash inflow/(outflow) for capital expenditure			471,914		(7,486)
Increase in cash	16		6,302,724		2,945,671

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NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable accounting standards and the Companies Act 1985.

1.1 Group accounts

These financial statements consolidate the results of the charity and its wholly-owned subsidiary, EJAF Trading Limited on a line by line basis. A separate statement of financial activities for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by paragraph 397 of the SORP.

The net income of The Elton John AIDS Foundation for 2007 is £11,724,649 (2006 - £7,322,459) These amounts include Gift Aid received from EJAF Trading Limited for 2007 of £3,095,207 (2006 - £2,106,480) which have been eliminated on consolidation.

1.2 Incoming resources

Income consists of donations received and tax credits on income when donations are made under Gift Aid or a Deed of Covenant. Income from donations is recognised when received. Bank interest is recognised when receivable.

1.3 Resources expended

Expenditure consists of grants and general administrative expenses which are recognised on an accruals basis.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land	Nil
Furniture and equipment	Straight line over 3 years

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Pensions

The pension costs charged in the accounts represent the contributions payable by the charity during the period in accordance with FRS 17.

1.7 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are included in net movements in funds.

2 Voluntary income

	Unrestricted funds £	Restricted funds £	Total 2007 £	Total 2006 £
Donations and gifts	5,414,485	2,484,175	7,898,660	4,920,626

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3 Income from subsidiary's trading activities

The wholly-owned trading subsidiary, EJAF Trading Limited, which is incorporated in the United Kingdom, pays all its profits to the charity by Gift Aid. EJAF Trading Limited provides management of one-off fundraising events. The charity owns the entire issued share capital of 1 ordinary share of £1. A summary of the trading results is shown below:

	2007	2006
	£	£
Turnover	3,523,183	2,939,171
Cost of sales	(963,933)	(875,981)
Administrative expenses	429,044	(14,107)
Interest receivable	<u>106,913</u>	<u>57,397</u>
Net profit	3,095,207	2,106,480
Amount gifted to the charity	<u>(3,095,207)</u>	<u>(2,106,480)</u>
Retained in the subsidiary	-	-
The assets and liabilities of the subsidiary were:		
Tangible assets	6,833	49,140
Current assets	389,286	340,358
Creditors: amounts falling due within one year	<u>(396,118)</u>	<u>(389,497)</u>
Total net assets	<u>1</u>	<u>1</u>
Aggregate share capital and reserves	<u>1</u>	<u>1</u>

Cost of sales and administrative expenses includes auditors' remuneration of £6,000 (2006: £5,750)

4 Investment income

	Unrestricted funds	Restricted funds	Total 2007	Total 2006
	£	£	£	£
Interest receivable	814,940	-	<u>814,940</u>	<u>338,643</u>

5 Other incoming resources

Other incoming resources represents the net amount received from the sale of land held by EJAF Trading Limited.

6 Total resources expended

	Staff costs	Depreciation	Other costs	Total 2007	Total 2006
	£	£	£	£	£
Costs of generating funds					
Support costs	-	-	-	-	43,463
Management and admin costs	-	17,148	42,178	59,326	54,702
Trading expenses	-	-	963,933	963,933	875,981
Fundraising costs	203,171	-	25,072	228,243	176,252
Charitable activities					
Grants costs	181,320	-	39,201	220,521	182,279
Grants payable	-	-	1,321,541	1,321,541	1,187,908
	-	-	3,240,277	3,240,277	2,810,033
Governance costs					
	45,559	-	12,394	57,953	49,862
	<u>430,050</u>	<u>17,148</u>	<u>5,644,596</u>	<u>6,091,794</u>	<u>5,380,480</u>

Governance costs include payments to the auditors of £4,348 (2006: £3,525) for audit fees for The Elton John AIDS Foundation.

Included in management and admin costs is the amount of £4,245 (2006: £12,165) relating to foreign exchange loss.

Staff costs are allocated based on time apportionment.

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7 Gross transfers between funds

Comic relief - A three year grant totalling £914,049 was awarded to The Elton John AIDS Foundation in 2005 in support of the programme 'Orphans and Vulnerable Children Partnership Support'. The grant budget includes The Elton John AIDS foundation UK Programme Management costs of £12,748, which was borne initially by the Foundation from unrestricted funds. As a result of this, £12,748 had been transferred from restricted funds to unrestricted funds.

8 Trustees

The charity commission has authorised payment of reasonable remuneration to two trustees for services undertaken in the administration of the company, provided they withdraw from any meeting whilst their remuneration is being discussed.

The total remuneration that was payable during the year under review was £173,981 (2006: £145,846).

The highest paid trustee received £103,207 and the other trustee £70,774.

No remuneration was received by other trustees.

Expenses of £7,947 (2006: £10,054) were reimbursed to trustees during the year.

During the year the charity paid £4,510 (2006: £3,136) for trustees indemnity insurance to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

9 Employees

Number of employees

The average monthly number of employees during the year was:

	2007 Number	2006 Number
General management function	9	9

	2007 £	2006 £
Employment costs		
Wages and salaries	368,815	339,961
Social security costs	40,617	39,090
Other pension costs	20,618	19,277
	430,050	398,328

The number of employees whose annual emoluments were £60,000 or more were:

	2007 Number	2006 Number
General management function	2	1

Contributions totalling £14,173 (2006: £11,536) were made to defined contribution pension schemes on behalf of employees whose emoluments exceed £60,000.

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NOTES TO THE ACCOUNTS (CONTINUED)
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10 Tangible fixed assets - group and charity

	Furniture and equipment £	Charity total £	Subsidiary Furniture and equipment	Subsidiary Freehold land £	Group Total £
Cost					
At 1 January 2007	68,072	68,072	-	49,140	117,212
Additions	18,775	18,775	10,250	-	29,025
Disposals	(6,000)	(6,000)	-	(49,140)	(55,140)
At 31 December 2007	80,847	80,847	10,250	-	91,097
Depreciation					
At 1 January 2007	58,106	58,106	-	-	58,106
Charge for the year	13,731	13,731	3,417	-	17,148
On disposals	(6,000)	(6,000)	-	-	(6,000)
At 31 December 2007	65,837	65,837	3,417	-	69,254
Net book value					
At 31 December 2007	15,010	15,010	6,833	-	21,843
At 31 December 2006	9,966	9,966	-	49,140	59,106

	Group		Charity	
	2007 £	2006 £	2007 £	2006 £
11 Debtors				
Trade debtors	126,529	3,726	124,735	726
Prepayments and accrued income	28,386	4,426	10,411	4,426
Other debtors	7,446	7,239	7,446	7,224
Amounts owed by group undertakings	-	-	364,930	381,740
	162,361	15,391	507,522	394,116

12 Creditors: amounts falling due within one year

	Group		Charity	
	2007 £	2006 £	2007 £	2006 £
Trade creditors	581,368	789,690	581,274	789,334
Taxes and social security costs	12,319	10,911	12,069	10,911
Accruals	36,374	13,817	5,530	6,416
Other creditors	-	-	-	-
	630,061	814,418	598,873	806,661

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13 Restricted funds

The income funds of the charity include restricted funds comprising the following balances of donations and grants held on trust for specific purposes:

	Balance at 1 January 2007 £	Income received £	Movement in funds Utilised/ transferred £	Unrestricted fund Transfers £	Balance at 31 December 2007 £
Rubberstuffers	7,581	-	(3,516)	-	4,065
Life Ball, Vienna	119,631	-	(119,631)	-	-
The Rufford Maurice Laing Foundation	13,471	288,277	(288,277)	-	13,471
The Vodafone Group Foundation	107,373	-	32,425	-	139,798
Dazed & Confused	2,171	-	-	-	2,171
AIDS Orphans Pledges at White Tie & Tiara Ball 2004	68,979	-	-	-	68,979
Comic Relief	-	307,462	(294,714)	(12,748)	-
"4 Inches" / Jimmy Choo / Cartier	1,314,453	-	(270,650)	-	1,043,803
Jo & Rafi Manoukian	7,000	-	-	-	7,000
Pledges at 7th White Tie & Tiara Ball 2005 for ARVs to HIV+ Children in Kenya	103,927	-	-	-	103,927
Pledges at 8th White Tie & Tiara Ball 2006 for Food Security, India	298,683	1,500	(178,714)	-	121,469
ARV treatment for HIV Positive People, Eastern Cape, South Africa	16,080	-	(16,080)	-	-
Elena Franchuk ANTI/AIDS Foundation and Victor Pinchuk Foundation	-	1,260,853	-	-	1,260,853
Pledges at 9th White Tie & Tiara Ball 2007 for Mobile Health Fleet in Lesotho	-	626,083	(182,384)	-	443,699
	<u>2,059,349</u>	<u>2,484,175</u>	<u>(1,321,541)</u>	<u>(12,748)</u>	<u>3,209,235</u>

Rubberstuffers

A donation of £250,000 was made in 2001 to the Foundation by the charity RS Health Limited (Rubberstuffers) and a further £28,637 when Rubberstuffers ceased to exist as a charity. These funds are applied by the Foundation to projects that fulfil the charitable object of RS Health Limited as follows: 'to promote the protection and preservation of health by encouraging homosexual and bisexual men, through the provision of health information and the distribution of condoms, to adopt and sustain safer sexual practices, thereby reducing the spread of HIV/AIDS'. A specific exclusion to this object is funding to Camden & Islington Health Promotion Unit and the Healthy Gay Living Centre and other organisations set up by them for the same purpose. The balance at the year ended 2007 is £4,065.

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13 Restricted funds (continued)

Life Ball, Vienna

The Austrian charity Life Ball, organisers of an eponymous annual HIV/AIDS fundraising Ball, donated to The Elton John AIDS Foundation from their annual event held between 2001 – 2005. The funds are spent on projects in accordance with the Foundation's charitable objectives, with the specific geographic restriction to the African continent and Eastern Europe.

The Rufford Maurice Laing Foundation

UK charity The Rufford Foundation (now The Rufford Maurice Laing Foundation) has since 2002 awarded The Elton John AIDS Foundation an annual grant to be spent on projects in accordance with the Foundation's charitable objectives, with specific emphasis on severely marginalised populations in developing countries. In 2006 this totalled £250,000 and £288,277 in 2007.

The Vodafone Group Foundation

Awarded the Elton John AIDS Foundation a one off grant of £624,264 in 2004 (received £469,000 in 2004; and £155,264 in 2005), to be spent on HIV/AIDS projects as agreed between The Vodafone Group Foundation and The Elton John AIDS Foundation. A favourable sterling to dollar exchange rate, and revision of programme activities resulted in an under spend for this project of £32,425.

Dazed & Confused

UK magazine 'Dazed & Confused' donated, from their July 2004 'South African issue', a percentage of advertising revenues, to The Elton John AIDS Foundation specifically in support of the work of African Solutions to African Problems (ASAP), which provides training, goods and services to community based organisations caring for AIDS orphans in South Africa.

AIDS Orphans Pledges at White Tie & Tiara Ball 2004

At the Elton John AIDS Foundation's annual fundraising event, the White Tie & Tiara Ball, a specific appeal was made in 2004 to support children orphaned or vulnerable as a result of HIV/AIDS in South Africa. This funding is restricted for Hope & Homes for Children (HHC) three-year programme – Support & Care for Children Orphaned and Made Vulnerable by AIDS in South Africa.

Comic Relief

A three-year grant totalling £914,049 was awarded to The Elton John AIDS Foundation in 2005 (received this year £307,462) in support of the programme 'Orphans and Vulnerable Children Partnership Support' aimed at mitigating the impact of HIV/AIDS on orphans and vulnerable children within three provinces of South Africa. This complements Hope & Homes for Children work in South Africa (see above). The Elton John AIDS Foundation's implementing partners in the project are AIDS Foundation of South Africa.

'4 Inches' / Jimmy Choo / Cartier

A collaborative fundraising project in 2005 entitled "4 Inches / Jimmy Choo / Cartier" generated a total of £1,563,428 in funds specifically for those programmes providing care, support and empowerment to women and children living with or at risk of HIV/AIDS in sub-Saharan Africa.

Jo & Rafi Manoukian

A restricted donation which is in support of four programmes that are providing services for orphans and vulnerable children in South Africa.

Pledges at 7th White Tie & Tiara Ball 2005 – ARV's to HIV+ Children in Kenya

An appeal was launched at the White Tie & Tiara Ball 2005 to raise funds to cover the cost of paediatric formulations of antiretroviral medication for children living with AIDS in Kenya through Clinton Foundation HIV/AIDS Programme. The amount of £603,927 was raised in pledges, enabling up to 3,300 children to access medication for the first time.

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Pledges at 8th White Tie & Tiara Ball 2006 for Food Security, India

At the Elton John AIDS Foundation's annual fundraising event, the White Tie & Tiara Ball, a specific appeal was made in 2006 to support AIDS affected households in the Indian state of Andhra Pradesh. Pledges received in 2006 were £298,683 and an additional £1,500 in 2007 received from the event, which have been allocated to CARE USA's SPANDANA Nutrition and Food Security Project, which will provide nutritional support, training and resources for food gardens, and referral to feeding schemes that will collectively enable 30,000 households (approximately 60,000 children and 90,000 adults) to have sustainable, adequate nutrition over three years. This integrates with co-funded treatment, care and psychosocial support for the same target group.

ARV Treatment for HIV Positive People, South Africa

In 2006 a total of £16,080 was received in donations from subscribers to the Foundation's In Touch newsletter in support of ARV treatment for people living with HIV/AIDS. This funding has been allocated to the Mbashe-Madwaleni HIV and AIDS Treatment and Care Programme in Eastern Cape, South Africa, which is providing treatment for approximately 9,600 people over the next four years.

Pledges at 9th White Tie & Tiara Ball 2007 for Mobile Health Fleet in Lesotho

At the 2007 annual White Tie & Tiara Ball an appeal was made to help fund a Mobile Health Fleet in Lesotho to train health-workers to ride a motorbike and to cover the bike, fuel and service costs for three years. Pledges received during the year were £626,083 which have been allocated to Riders for Health for their project Sustainable Mobility for Outreach Healthcare Delivery, Lesotho over a 42 month period.

Elena Franchuk ANTI/AIDS Foundation and Victor Pinchuk Foundation

The amount of US\$2.5m was received to support a range of programmes within Ukraine in line with the Foundation's country strategy, specifically those that support children infected and affected by HIV/AIDS, and those at high risk from the disease, such as street children. Programmes will also be sourced specifically targeting young women infected or at risk of HIV/AIDS.

14 Analysis of group net assets between funds

	Unrestricted fund £	Restricted fund £	Total £
Tangible fixed assets	21,843	-	21,843
Current assets	13,062,914	3,605,667	16,668,581
Creditors: amounts falling due within one year	(233,629)	(396,432)	(630,061)
	<u>12,851,128</u>	<u>3,209,235</u>	<u>16,060,363</u>

15 Reconciliation of net movement in funds to net cash inflow from operating activities

	2007 £	2006 £
Net movement in funds	6,596,788	2,817,960
Interest receivable	(814,940)	(338,643)
Depreciation of tangible fixed assets	17,148	12,106
Gain on disposal of fixed assets	(451,799)	-
(Increase)/decrease in debtors	(146,970)	42,036
Increase/(decrease) in creditors	(184,357)	81,055
	<u>5,015,870</u>	<u>2,614,514</u>

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16 Reconciliation of group net cash flow to movement in net funds

	2007	2006
	£	£
Increase in cash	6,302,724	2,945,671
Net funds at 1 January 2007	<u>10,203,496</u>	<u>7,257,825</u>
Net funds at 31 December 2007	<u><u>16,506,220</u></u>	<u><u>10,203,496</u></u>

17 Analysis of net funds for the group

	2006	Cashflow	2007
	£	£	£
Net cash			
- Cash at bank and in hand	<u>10,203,496</u>	<u>6,302,724</u>	<u>16,506,220</u>

18 Contingent liabilities

The Foundation has contracted and committed to £5,099,776 (2006: £2,438,233) of further grants, which are conditional on the performance of the recipient charities.

19 Commitments under operating leases

At 31 December 2007 the charity had annual commitments under non-cancellable leases as follows:

	2007	2006
	£	£
Equipment hire		
Expiry date:		
Between two and five years	<u>2,063</u>	<u>2,063</u>
	<u><u>2,063</u></u>	<u><u>2,063</u></u>

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20 Pension costs

Defined contribution

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund.

	2007	2006
	£	£
Contributions payable by the charity for the year	<u>20,617</u>	<u>19,277</u>