

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 2008**

**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 R Manoukian S Campbell
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	Hazlems Fenton LLP Chartered Accountants Palladium House 1-4 Argyll Street London W1F 7LD
Bankers	Barclays Private Bank Limited 59 Grosvenor Street London W1K 3JD
Solicitors	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL

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

**CONTENTS**

	Page
Trustees' report	1 - 12
Independent auditors' report	13 - 14
Consolidated statement of financial activities	15
Consolidated and charity balance sheets	16
Consolidated cash flow statement	17

## 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 2008.

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 together with applicable accounting standards and the Companies Act 1985.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

The Elton John AIDS Foundation is a company limited by guarantee (Company Registration Number 02787008) and therefore has no share capital. The company is registered as a charity with the Charity Commission (Charity Number 1017336) and is based at 1 Blythe Road, London W14 0HG, which is also the charity's registered office.

### STRUCTURE AND GOVERNANCE

#### GOVERNING DOCUMENT

The Elton John AIDS Foundation was incorporated on 1st February 1993 and is governed by its Memorandum and Articles of Association. The governing body of the Foundation is its board of trustees, who are also directors for the purposes of company law. Trustees 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	
R Manoukian	(Appointed 30 <sup>th</sup> January 2008)
S Campbell	(Appointed 30 <sup>th</sup> January 2008)

Rafi Manoukian and Scott Campbell were appointed as new trustees during the year. Both appointments were unanimously approved at the Board Meeting held on 30 January 2008. Mr Manoukian is also a trustee of the Bryan Adams Foundation as well as the founder of a charity to support survivors of the Armenian genocide. He is a longstanding supporter of the Foundation's work and has visited funded programmes in Cambodia, South Africa and Russia as well as acting as a voluntary member of the Foundation's White Tie & Tiara fundraising committee. Mr Manoukian is a notable contributor to other charities in the education, arts and human rights sectors and will add considerable value for the Foundation within the financial management, investment management, governance and fundraising fields. Scott Campbell is President of the Elton John AIDS Foundation in the USA and was formerly President of the U.S. based American Foundation for AIDS Research (AMFAR). Mr Campbell will benefit the Foundation, in particular, with regards to the global approach of its work and the development of key strategic relationships.

#### GOVERNANCE STRUCTURE

The Foundation's governing Board, which constitutes 11 trustees, meets twice a year to agree EJAF's overall policy and direction in all areas of its work. This includes determining the Foundation's mission statement, charitable aims, objectives and fundraising strategy together with specific priorities in terms of types of grant and geographical locations in any given year. The Board has delegated the day-to-day management to the Chief Executive and the grant selection process to a Grant Panel, which consists of voting trustees (a quorum of three), specialist advisors where appropriate, and staff members. The panel, which met six times in 2008, reviews assessments of grant applications using a standard process, which includes whether the proposals meet the strategic objectives and mission of the Foundation whilst considering the current funding portfolio, budgets and country strategies. The trustees, by means of a

majority vote, make funding decisions at the Grant Panel meeting, which are ratified by the Board at trustees' meetings. There is an appeal procedure for grant applicants who are unsuccessful.

During 2008, the Board agreed to form a 'Finance and Investment Committee' (FIC). The trustees intend to delegate to it the oversight of the organisation's financial, investment and risk management. This committee consists of four trustees, the Treasurer and the Financial Controller and will review financial performance, advise on the Foundation's investment strategy and oversee organisational risk, internal controls and the financial policies and procedures.

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 the terms of delegation approved by the trustees, delegated authority for operational matters, including grants, fundraising and finance. The charity also benefits from a Company Secretary, Charles Negus-Fancey.

Apart from the Chief Executive and the International Development Director, the Board of Trustees gives its time and expertise voluntarily and receives no remuneration or any other emoluments from EJAF. The Charity Commission has agreed that the two trustees can be paid for their services to the organisation and this is specifically accounted for in the Foundation's governing documents.

The Foundation has a wholly owned trading subsidiary (EJAF Trading Limited), which provides the management for one-off fundraising events. EJAF Trading Limited (Company Registration Number 02951448) is based at 1 Blythe Road, London W14 0HG and its directors are:

Sir Elton John  
R Key  
A Aslett (Appointed 20 May 2008)

The charity also has a partner company in South Africa - Elton John AIDS Foundation (South Africa) Registration number IT3473/2004 038-398-NPO. It was established 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. The funding guidelines in the partner company are the same as those of the UK Foundation.

#### TRUSTEES INDUCTION AND TRAINING

The appointment and induction of new trustees are overseen by the Board. The Foundation operates with a Board of eleven trustees that collectively offer a range of expertise in development, fundraising, financial management and legal affairs, as well as representing the views of those affected by and living with HIV/AIDS. A needs analysis of the Board's skill base is undertaken to ensure it retains sufficient expertise to govern the organisation. Trustees can be nominated by any existing board member and must be proposed at board meetings. There is no formal time limit to trusteeship.

The induction process was reviewed in 2008 to ensure that each new trustee is well equipped to undertake their responsibilities. The process consists of providing general information relating to the Foundation and to their expected duties and legal obligations under charity and company law. This will include the details of the charity's Memorandum and Articles of Association and the charity's current funding criteria, aims, and objectives. Any new trustee will undertake a set of customised briefings with the relevant key staff, which will cover the particular areas on which the trustee will be expected to focus. As part of their ongoing training and understanding of the organisation and the context of its activities, trustees are expected to attend a Grant Panel meeting and visit the programmes in the field.

Mr Manoukian and Mr Campbell were both inducted during 2008 and are compliant with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their duties and powers.

#### ROLE AND CONTRIBUTION OF VOLUNTEERS

In line with the mission statement, volunteers play a vital part in supporting the fundraising and charitable activities of the Elton John AIDS Foundation. During the year, the Foundation benefited from one longstanding, regular volunteer two days per week and, from November 2008 onwards, two volunteers 2-3 days per week who undertook desk-based research for the grants team. A pool of volunteers is regularly called upon to support fundraising activities.

## INTERNAL CONTROL

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. These controls were reviewed in September as part of a periodic governance review.

## MANAGEMENT POLICIES AND PROCEDURES

### STAFF

There is a clearly articulated and approved staff structure within which all staff have designated line management, detailed job descriptions and an appraisal process. A Staff Handbook outlines all relevant policies and procedures.

### GRANT MAKING AND FUNDRAISING

An appraisal of the charity's performance against its strategic goals is undertaken at an annual Strategy Day, held this year on 11<sup>th</sup> December 2008, at which departmental aims and objectives as well as key individual workplans for the coming year are set. The grant making process is articulated for potential applicants on the Foundation's website ([www.ejaf.com](http://www.ejaf.com)). A Grant Panel Handbook provides guidance for staff and trustees in assessing proposals and setting terms of reference for expert advisors and consultants.

### RISK ANALYSIS

Risk analyses are undertaken both for the charity as a whole and for individual large scale grants. These risks have been reviewed by the trustees, who are satisfied that appropriate systems have been established to manage them. During 2008, a review of all financial policies and procedures was undertaken, resulting in some modifications and the formation of a Finance and Investment Committee.

## OBJECTIVES AND ACTIVITIES

In pursuing its objectives, the Foundation's activities fall into three main areas:

1. The direct charitable activities consist of Grant Making activities categorised within:
  - a. UK Projects
  - b. International Projects
  - c. Small Grants
2. Fundraising and promotional activities
3. Management and governance activities

### GRANT MAKING

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;*

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

EJAF's vision is one where all people infected/affected by HIV/AIDS are treated fairly, can access information and services to keep them healthy and safe, and live free from poverty and discrimination. Its main contribution is through making grants, mainly to civic organisations that will improve people's access to services and get their rights addressed. The Foundation also supports these organisations to become more effective. EJAF believes that since collaboration between formal and non-formal sectors is essential in achieving this vision, it will use its influence with other grant makers, with governments and companies to leverage further funding and services and break down stigma and discrimination.

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.

## ACHIEVEMENTS AND PERFORMANCE

### GRANT MAKING

The Foundation's website provides information both about how it views the impact and needs of the AIDS epidemic in each of its programme countries. It details what response it has made to date and its funding strategies to 2010. A concept note process for receiving unsolicited requests is also provided. During 2008, a series of meetings and consultations were held to refine a standardised monitoring and evaluation framework that covers the key beneficiary groups highlighted by the portfolio of country strategies. This work is ongoing.

In line with the strategic review of its grant making activities in 2005, the Foundation's objectives are to:

1. Consolidate its funding to a manageable portfolio within a defined set of countries;
2. Develop a detailed contextual analysis of programme countries;
3. Define country specific funding strategies that reflect the Foundation's vision and mission and offer the best opportunity to impact on the lives of beneficiaries at current grant making levels;
4. Reduce the number of small and medium sized grants and increase larger, long term partnerships with core grantees.

Specifically in 2008, the Foundation set individual country budgets for grant making totalling £9.7m across the whole portfolio. Review of current investments, appointment of a new Head of Grants, and expansion of the use of consultants to undertake one-off or periodic pieces of work were also prioritised.

During 2008, the Foundation assessed and researched 58 applications worth £8.65m from 15 programme countries, of which 41 or 70% were approved for funding. The value of the agreed funding amounted to £6.7m or over 77% of the total funding requested and 67% of the Foundation's grant making budget for 2008. These figures represent an increase over 2007 levels and reflects the Foundation's desired movement towards ensuring that more applications of a good strategic 'fit' with its evidence-driven funding priorities are received. Furthermore, it reflects that only those proposals that offer the best prospect of impacting EJAF's strategic priorities are progressed to the full application stage. The increased clarity in the Foundation's grant strategies, communicated both through the website and through staff contact, has resulted in a 50% reduction in unsolicited proposals.

Grants funding continues to move towards longer and larger strategic grants. The Foundation now holds agreements for three multi-year grants, each exceeding £1m in value, whilst the number of grants under £6,000 and those between £6,001 and £40,000 have dropped by 12% and 16% respectively since 2007. During 2008, EJAF managed 58 'live' grants and Foundation staff undertook eight international field trips to

review current and potential programmes. The Foundation has also been successful in developing funding partnerships with other grant makers. In 2008, it secured the highest amount of funding to date from such contracts of £1.45m and currently has strategic grant making partnerships for both Malawi and Ukraine totalling £10m in leveraged funding.

During the year, EJAF continued to develop its country profiles and corresponding funding strategies throughout the world. Those profiles, which have been formally ratified by the Board, form part of the selection criteria for applications relating to those countries. Strategies have been submitted for Bangladesh, Nepal, and Russia, which, together with the funding strategy for Tanzania, are scheduled for formal approval in the first quarter of 2009.

#### UK PROJECTS

UK Grants Manager Babs Evans undertook a series of presentations to key stakeholders within the HIV/AIDS sector to promote and expand on the Foundation's grant funding strategy, including conferences/meetings with member organisations of the AIDS Funders' Forum: Positive Action, BHIVA and Positive Changes (Birmingham). This led to a considerable increase in multi-year proposals addressing key elements of the strategy, including cross sector collaboration. Over 78% of the £1.5m budget for grant spending in the UK was approved during the year (a 40% increase on the previous year). A review of the Foundation's grant making in the Republic of Ireland was undertaken as part of the Country Profile research, resulting in a decision, ratified by the Board, to progressively reduce funding in this area.

In its UK country strategy, EJAF strives to identify suitable mechanisms to increase support to children infected and affected by HIV/AIDS. In accordance with this, the Foundation conducted a consultation process with HIV/AIDS infected/affected children and leading service providers to this beneficiary group across the UK. Together, a set of needs were identified and proposals were actively sought. To date, EJAF has agreed to fund two of the multi-agency proposals received.

#### INTERNATIONAL PROJECTS

The Grants team conducted a number of reviews in 2008 to improve the quality and scope of the Foundation's work in the international arena. Firstly, the team appraised its current programming activities, lessons learned and best practice models with respect to the integration of HIV/AIDS services for women with services that address their broader reproductive and sexual health. Through the identification of optimal entry points and potential partners, the Foundation will seek to expand its work in this area. Secondly, the team examined the needs of men who have sex with men (MSM) in key programme countries, which incorporated a literature review, key informant interviews and an online questionnaire. Since this is a key funding priority for the Foundation, the results have been carefully analysed and they will provide guidance as to how EJAF can make the greatest impact with the funding available. A review of young women at risk of contracting or already infected by HIV/AIDS in Ukraine was undertaken to establish a range of funding options for the Foundation. The findings identified two key areas, which will allow EJAF to address this element of the country strategy. Accordingly, the team will seek proposals in this area.

As reported at the end of 2007, the Foundation devolved its grant making in Latin America to its sister Foundation in the USA, which has increased its grant making capacity by almost 50% over the past two years. The US Foundation has undertaken a contextual analysis and received board approval for key components of a Latin America funding strategy. Formal handover took place prior to the International AIDS Conference held in Mexico in August 2008.

The national programme to mitigate the impact of HIV/AIDS for children in Ukraine, noted in the 2007 Annual Report, was officially launched in March 2008. Ten implementing centres have been established and psychologists and social workers at each centre were trained on case management. Romanian Angel Appeal, a technical partner in the programme, has undertaken a baseline assessment of needs in relation to helping parents and/or children with HIV disclose their status to one another and access the support they need. Formal memoranda of understanding have been signed with the Ministry of Education and Science to co-operate on overcoming stigma and discrimination towards HIV positive children. A new training module on issues affecting children living with HIV has been developed with the Institute of Postgraduate Education and is now being included in the existing national curriculum through a 'Professional Refresher' course at the Institute of Postgraduate Education. Having undertaken a review of the impact the initiative could achieve, EJAF has agreed to increase its funding by up to a further £200k. The programme is supported by the Big Lottery Fund in the UK and the Anti-AIDS Foundation in Ukraine.



In Malawi, the Funding Collaborative for Children (FCFC), of which EJAF is one of four principal funders, has contracted Family Health International as the implementing organisation for Salima District for the first twelve months of operation. The programme is being undertaken in collaboration with seven current sub-grantees, with a further seven being added during 2009/10. Duke University has been contracted to undertake an evaluation of the initiative in partnership with the College of Medicine, which is based in Blantyre. The University has gained approval from its Institutional Review Board to its proposed evaluation protocols. The Duke Research team has also refined data gathering tools and undertaken household sampling to establish the review baseline.

EJAF awarded two significant grants to the Clinton HIV/AIDS Initiative (CHAI) during 2008. The first programme, a multi-year initiative, will integrate the prevention of mother-to-child transmission of HIV (PMTCT) within antenatal care in Prey Veng province in Cambodia. The second programme provides support for the retention, improvement and scale up of paediatric HIV/AIDS treatment programmes in government facilities in Malawi, Kenya, Tanzania, Lesotho and Zambia. Both programmes address key objectives within EJAF's country strategies and are thematic for women and children.

Within the context of the Malawi, Ukraine and the CHAI Africa-wide programmes, EJAF reviewed the impact of these initiatives resulting from unforeseeable changes in the economic environment, which has led to an increase in costs. Accordingly, it has been agreed to increase its funding in these programmes by up to £800k, £200k and £23k respectively.

EJAF continued to ensure that key strategic projects were sought. As part of its commitment to the largest countries within its operational portfolio, EJAF retained the services of its country consultants for South Africa and Ukraine. The costs of grants, which include the election, monitoring and evaluation of the portfolio, amounted to 2% of total disbursements.

#### PROVIDING SMALL GRANTS

The Firelight Foundation continued to administer a small grants programme on behalf of the Foundation, assessing and proposing new activities to support grass roots organisations in Lesotho, Malawi, South Africa, Tanzania and Zambia. Associacao Saude da Familia (ASF) has received an exit grant whilst funding for work in Latin America moves over to the EJAF's sister organisation in the United States. All other small grant requests were administered with existing Foundation resources.

#### FUNDRAISING ACTIVITIES

EJAF reports its most successful year in term of fundraising income, which is mostly generated from private donations, grant making trusts and events. The consolidated gross income from fundraising activities and voluntary income amounted to over £14.6m in the year, made up of ticket sales, auctions, sponsorship, merchandise, donations and grant awards.

With regards to events, the Tenth White Tie & Tiara Ball, held in June 2008, brought in a net income of over £10m, representing an increase of over 65% on the previous year, which was, itself, a record. Since all costs for the White Tie and Tiara Ball were underwritten and met by sponsorship, all monies received from ticket sales, donations and auction lots directly benefited the charity. EJAF held its first event in Monaco, which raised over £700k. Due to its success, the Foundation has secured a commitment to repeat this in 2009 and in 2010.

The Foundation continues to benefit from the support and generosity of ongoing sponsor relationships including Chopard and, for the second year, a partnership activity with Grey Goose Vodka, which raised a further £350k in net income during 2008.

EJAF's most successful merchandise project has been the EJAF watch collection in association with Chopard. In 2008, £287k of income was recognised from this partnership. EJAF was also delighted to team up with Jo Malone in 2008, producing a limited edition fragrance, which raised over £69k for the Foundation.

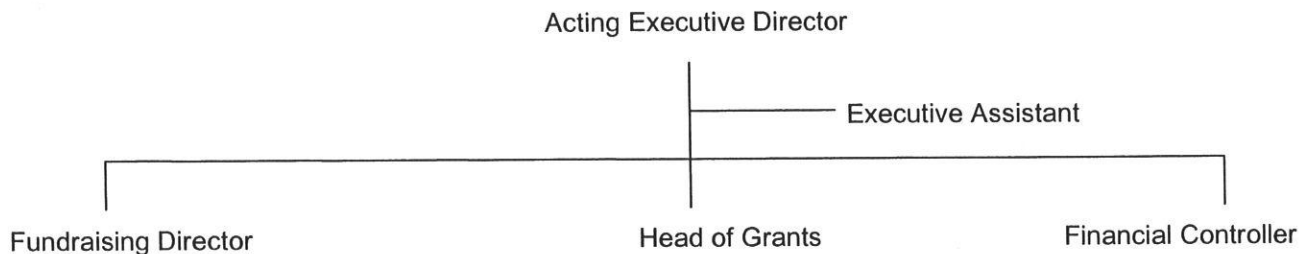
EJAF is pleased to acknowledge other significant contributions to the charity, including over £70k net income from a collaboration with Anderson and Low, over £21k raised as a result of EJAF's partnership with GQ magazine's 'Man of the Year' event and over £46k from Granada Television, the North West England ITV contractor, from the show 'I'm a Celebrity, Get Me Out of Here'.

EJAF continues to develop its website ([www.ejaf.com](http://www.ejaf.com)) to better inform its supporters of the Foundation's work around the world and how they can get involved with the charity. It is regularly updated with regards to upcoming fundraising activities and recently-held events as well as strategic and operational programmatic information. A new fundraising database, which encompasses event management software, became fully operational during the year.

The Foundation recognises that although 2008 has been a highly successful year, its organisational planning must reflect the current economic climate and its potential impact on fundraising activities. Accordingly, EJAF expects 2009 to be challenging but a year in which it will strive to further solidify its relationships with its supporters and to continue implementing and planning its work globally.

## MANAGEMENT AND GOVERNANCE ACTIVITIES

In January 2008 the Board approved a request by the Executive Director Robert Key to grant Anne Aslett, International Development Director, delegated authority on behalf of the Board during periods of absence when Mr Key was receiving medical treatment. In June 2008, Mr Key commenced an extended leave of absence on medical grounds and accordingly, Anne Aslett, was appointed by the Board as Acting Executive Director in his absence. The current management structure is shown below:



In accordance with the Foundation's monitoring and evaluation approach of its grant giving activities, staff undertook a number of field visits during the year. In line with the commitment to their continuing understanding of the Foundation's work and their ongoing dedication to the Foundation, three trustees sat on a fundraising committee for the White Tie and Tiara Ball and five trustees undertook field trips; three visited South Africa and Lesotho whilst two travelled to India to view funded programmes. Three trustees attended EJAF's annual strategy day, where the year was reviewed and operational objectives set for 2009.

Following a recommendation to the Board in January 2008 and in consultation with the Accounts Administrator, the capacity of the Foundation's resources with respect to ongoing financial management was reviewed. A revised structure was proposed whereby a new part-time post of Financial Controller was established to undertake operational and strategic financial management. Mike Kostyn was recruited to this post in August 2008 and has undertaken a review of the Foundation's financial policies and procedures. The results of this process were reported to the Board in November 2008.

Following a review of internal management and resources, a recommendation was made to the Board in January 2008 to create a new Head of Grants post. The role was created to manage and guide the grants team, ensuring that the Foundation would continue to achieve, across its whole funding portfolio, significant and measurable change for its beneficiaries. The position would also ensure that the Foundation's grant-making would be undertaken in an efficient, informed way, guaranteeing that lessons be learnt and fed back to the grant-making process. Following an extended recruitment process, Mohamed Osman was recruited to the Head of Grants post in December 2008.

Due to the success of the Foundation's fundraising activities and its commitment to providing strategically aligned grants to quality institutions, EJAF sought to explore an investment plan for a proportion of its reserves. Accordingly, EJAF met with financial institutions, of which three were shortlisted. The trustees agreed to appoint Barclays Wealth as the Foundation's advisors, due to their experience and pre-eminent positioning within the charitable sector as well as their quality of service, expertise and financial security.

## PLANS FOR FUTURE PERIODS

### GRANTS

The Grants team will build on 2008 in continuing its work in effectively and efficiently assessing applications, agreeing grants, monitoring them and evaluating the work undertaken by the implementing partners. To achieve this, EJAF will continue to undertake close due diligence in assessing grant applications and distribute grants in accordance with EJAF's giving strategy and reserves policy. With the appointment of a new Head of Grants, the grants team will consolidate the Foundation's portfolio of programme funding and ensure effective management of live grants. Additionally, the team will proactively seek out new programmes that meet the strategic objectives and develop the monitoring and evaluation both of work funded and of our overall grant making achievements. This robust monitoring and evaluation framework will extend across thematic areas of funding by looking at aggregating agreed individual, country and programme metrics. This will involve undertaking a review of the application, reporting and assessment forms.

In improving its impact through its awards, the Foundation will conduct an internal quality control to review performance against stated timeframes for the application and grants management process. In the first half of 2009, an evaluation will be conducted amongst former applicants to the Foundation to determine their experience of the application process. The outcomes will be integrated into augmenting the grant-giving process. EJAF will also 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. It will also develop a mechanism for reviewing the Foundation's grant portfolio in terms of size, focus, impact and leverage. They will match this with trends in geographical split of funding, together with the length and size of grants awarded to analyse trends in grant making. Furthermore, EJAF will finalise and agree on the outstanding country funding strategies, for Nepal, Bangladesh, Tanzania and Russia. The approved documents will be available on the Foundation's website.

A review of programme countries with the highest grant underspend will be undertaken and, where appropriate, EJAF will proactively seek new proposals in accordance with the agreed country strategies. Concept notes will be refined to offer greater clarity to unsolicited approaches and the grant making database will be analysed. Any gaps in information will be filled.

### COMMUNICATION

With the finalisation of country strategies, EJAF will proactively promote them to international and national groups to ensure better targeted proposals. Countries that are currently considered under funded will attract specific emphasis. Internally, the Foundation will develop and formalise a communication strategy across all areas of its work.

### FUNDRAISING

In 2009, EJAF plans to build on the success of the previous year by continuing its ongoing annual events and producing a number of one-off special initiatives. Due to the tough fundraising conditions, resulting directly from the difficult economic environment, EJAF will seek to diversify its supporter base, whilst continuing to cultivate its strong and loyal group of current givers. The latter group includes corporates that, at a time of constantly reducing budgets, maintain their commitment to the partnerships that have been developed and cherished.

### GOVERNANCE

With the recent establishment of the Finance and Investment Committee, the Foundation will seek to cement and strengthen its financial and risk management model. With the development of a new three-year organisational strategy and a revised reserves policy, the trustees and staff are dedicated to the continuing development of a strong and efficient organisation. EJAF aims to underline its commitment to quality assurance by achieving the PQASSO Quality Mark during 2009.

In line with the commitment to their continuing understanding of the Foundation's work, trustees are expected to undertake field trips including visits to Ukraine, South Africa and India.

## MANAGEMENT

With the recent fulfilment of the Head of Grants role, the Foundation will undertake a review of the way that the grants team works. This will include a review of the team's influence across the Foundation and its contribution to the strategic aims of the charity both internally and in conjunction with our implementing partners and external stakeholders. With the completion of a new three-year plan, each team will determine their own strategies and workplans in meeting the agreed medium term objectives.

## FINANCIAL REVIEW

### BACKGROUND TO THE FOUNDATION'S FUNDING AND FINANCING

As in previous years, the Foundation received most of its income from fundraising activities although notable funds were secured from institutional donors, including the Elena Franchuk Foundation, Victor Pinchuk Foundation, Comic Relief and the Big Lottery Fund. The vast majority of the Foundation's expenditure is undertaken directly on awarding grants to partner organisations, which implement projects in line with EJAF's programmatic strategy. The remainder is used to ensure that these partners and the projects are adequately supported, monitored and evaluated and that the charity is governed and managed effectively and appropriately.

The overall financial position of the charity remains healthy with a surplus of £7.4m being reported in 2008. Income increased to £15.7m, which includes improved income figures from fundraising and investments.

### INCOMING RESOURCES

Total consolidated income increased by 23.7% to £15.7m (2007: £12.7m) including £10.8m from voluntary sources, £3.9m from the trading subsidiary and £1m from investments. Since this the second year that the total incoming resources have exceeded £10m, the Elton John AIDS Foundation is now deemed a large charity.

### CHARITABLE EXPENDITURE

Consolidated Charitable Expenditure increased by 44% to £6.9m (2007: £4.8m). 94% of this total constitutes direct awards to implementing partners in the 15 countries in which EJAF is active. Total Charitable Expenditure for the charity (£6.9m) constitutes 96% of total resources spent by the Foundation (£7.2m) in 2008.

### GOVERNANCE AND ADMINISTRATION

The consolidated total governance costs remained at approximately the same level in 2008 as in 2007. The £58k spent on governance represents less than 0.4% of total consolidated income and 0.7% of total resources expended (both for the consolidated figures and for the charity).

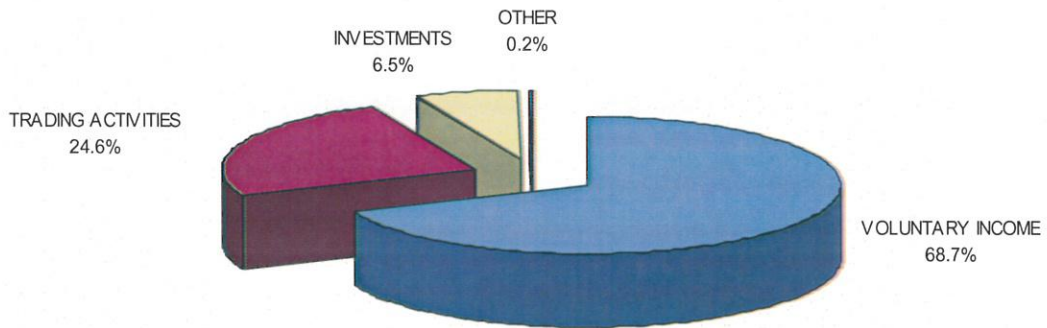
### FUNDRAISING

Consolidated voluntary income from individual givers and donors increased to £10.8m (2007: £7.9m), an increase of 36.5%. Trading income increased to £3.86m (2007: £3.52m), a rise of 9.5%. Combining these figures, income from fundraising activities amounted to £14.6m (2007: £11.4m), an overall increase of 28%. The cost of raising these funds rose, by 6.4%, from £1.25m to £1.33m. This constitutes just 9% of total consolidated fundraising income or a fundraising income to expenditure ratio of over 11:1.

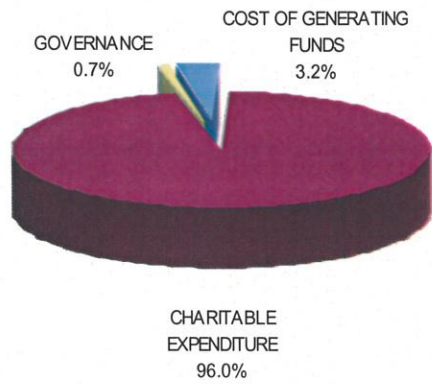
### INVESTMENTS

During 2008, EJAF embarked upon one fixed asset investment and placed additional funds in short-term Treasury Gilts, which has been classified as a current asset investment. The fixed asset constitutes a four year structured product, which, in line with the agreed guidelines outlined at the Board meeting in April 2008, is capital protected. It further guarantees a coupon based on the purchase value. Although its value at 31 December is lower than the purchase price, the loss is deemed to be unrealised as the Foundation will maintain its interest in this product until maturity, thus ensuring the capital is returned in full. The market value of the Treasury Gilts at 31 December 2008 reflected an unrealised gain, which will reverse on the issue's maturity in March 2009.

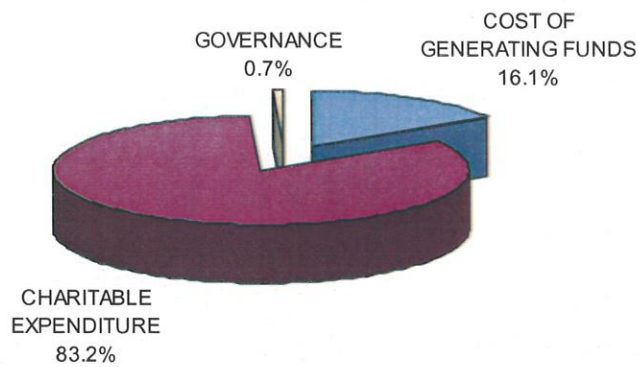
**INCOMING RESOURCES**



**OUTGOING RESOURCES (CHARITY)**



**OUTGOING RESOURCES (CONSOLIDATED)**



## EJAF TRADING LIMITED

All profits from its activities are paid via Gift Aid to the charity. The trustees are satisfied with the performance and results of the subsidiary for the year ended 31 December 2008.

## RISK AND INTERNAL CONTROL

The trustees continue to review and assess the risks that the charity faces and potential impact they may have on the organisation.

The Board is expected to delegate the oversight of organisational risk to the newly created FIC. It has been proposed that the senior management will revise the risk register to establish it as a working document. It will be formally reviewed each quarter and presented to the FIC.

On appointment, the Financial Controller undertook a review of organisational processes and procedures. A number of minor modifications have been implemented to further improve the internal controls of the Foundation.

## **RESERVES**

EJAF's total funds as at 31 December 2008 are £23.5m (2007: 16.1m) of which £2.7m are classified as restricted funds and £5.3m as designated funds. This incorporates the establishment of a designated fund, which covers all future grant commitments to implementing partners.

## UNRESTRICTED FUNDS

The total unrestricted funds as at 31 December 2008 are £15.5m as a result of a net unrestricted surplus after transfers in the year of £2.65m.

The Trustees have reviewed the level of reserves held in 2008 and, although they are currently satisfied that they can meet the needs of the charity, will finalise a revised reserves policy during the development of EJAF's next three-year strategy, which is currently underway. The main objective of this planning is to ensure the level of unrestricted reserves will finance and accommodate the strategic plans of the Foundation, mindful of the economic environment in which it finds itself.

## DESIGNATED FUNDS

The Trustees agreed to set up a designated fund during 2008 in recognition of future grant payments that EJAF has committed to, subject to satisfactory progress of the grant portfolio. Each commitment, which makes up the £5.3m, relates to an existing programme.

## RESTRICTED FUNDS

The monies that EJAF receives, which are given for a specific initiative, are classified as restricted. Each restricted pot is administered separately to ensure accurate allocation and compliance with the donors' requirements.

## 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.

## **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:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. 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:

1. So far as we are aware, there is no relevant audit information of which the company's auditors are unaware;
2. 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**

During 2008, EJAF's auditors, Sharpe Fairbrother, merged with Hazlems Fenton. The trustees agreed, at the Foundation's Board Meeting in November 2008, to appoint Hazlems Fenton as the Foundation's auditor for the year ended 31 December 2008.

It was noted that on 01 April 2009, the auditors Hazlems Fenton converted to a Limited Liability Partnership (LLP). Under s1216(3) of the Companies Act 2006, the audit appointment automatically transferred to the LLP. In accordance with section 487 of the Companies Act 2006, a resolution to reappoint Hazlems Fenton LLP will be put to the Annual General Meeting.



Anne Aslett  
Trustee

24 April 2009

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

**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 2008 set out on pages 15 to 26 which have been prepared under the accounting policies set out on page 18.

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 12, 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.



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

**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 2008 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.



**Hazlems Fenton LLP**  
**Chartered Accountants**  
**Registered Auditor**  
Palladium House  
1-4 Argyll Street  
London W1F 7LD

24 April 2009

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

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**INCLUDING INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	Unrestricted funds £	Designated funds £	Restricted funds £	Total 2008 £	Total 2007 £
<b>Incoming resources</b>						
Voluntary income	2	9,608,250	-	1,174,013	10,782,263	7,898,660
Trading income	3	3,857,207	-	-	3,857,207	3,523,183
Investment income	4	1,025,711	-	-	1,025,711	814,940
Other incoming resources	5	29,056	-	-	29,056	451,799
<b>Total incoming resources</b>		<b>14,520,224</b>	<b>-</b>	<b>1,174,013</b>	<b>15,694,237</b>	<b>12,688,582</b>
<b>Resources expended</b>						
<b>Costs of generating funds</b>						
Costs of generating voluntary income	6	4,000	-	-	4,000	59,326
Trading expenses	6	1,085,410	-	-	1,085,410	963,933
Direct fundraising expenditure	6	241,296	-	-	241,296	228,243
<b>Charitable activities</b>						
Grants made	6	4,838,653	-	1,644,420	6,483,073	4,561,818
Grants' costs	6	405,727	-	-	405,727	220,521
<b>Governance costs</b>						
	6	58,450	-	-	58,450	57,953
<b>Total resources expended</b>		<b>6,633,536</b>	<b>-</b>	<b>1,644,420</b>	<b>8,277,956</b>	<b>6,091,794</b>
<b>Net incoming resources before transfers</b>		<b>7,886,688</b>	<b>-</b>	<b>(470,407)</b>	<b>7,416,281</b>	<b>6,596,788</b>
Gross transfers between funds	7	(5,233,068)	5,257,182	(24,114)	-	-
<b>Net incoming resources after transfers</b>		<b>2,653,620</b>	<b>5,257,182</b>	<b>(494,521)</b>	<b>7,416,281</b>	<b>6,596,788</b>
<b>Other recognised gains and losses</b>						
Net unrealised gain on investments		1,631	-	-	1,631	-
<b>Net movement in funds</b>		<b>2,655,251</b>	<b>5,257,182</b>	<b>(494,521)</b>	<b>7,417,912</b>	<b>6,596,788</b>
Fund balances at 1 January 2008		12,851,128	-	3,209,235	16,060,363	9,463,575
<b>Fund balances at 31 December 2008</b>		<b>15,506,379</b>	<b>5,257,182</b>	<b>2,714,714</b>	<b>23,478,275</b>	<b>16,060,363</b>

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.

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

**CONSOLIDATED AND CHARITY BALANCE SHEETS**  
**AS AT 31 DECEMBER 2008**

	Notes	Group 2008 £	2007 £	Charity 2008 £	2007 £
<b>Fixed assets</b>					
Tangible assets	10	14,433	21,843	8,690	15,010
Investments	3,11	479,451	-	479,452	1
		493,884	21,843	488,142	15,011
<b>Current assets</b>					
Debtors	12	807,435	162,361	1,304,812	507,522
Cash at bank and in hand	18,19	14,000,268	16,506,220	13,467,101	16,136,703
Investments	11	9,966,673	-	9,966,673	-
		24,774,376	16,668,581	24,738,586	16,644,225
<b>Creditors: amounts falling due within one year</b>	13	(1,789,985)	(630,061)	(1,748,453)	(598,873)
<b>Net current assets</b>		22,984,391	16,038,520	22,990,133	16,045,352
<b>Total assets less current liabilities</b>		23,478,275	16,060,363	23,478,275	16,060,363
<b>Restricted funds</b>	14	2,714,714	3,209,235	2,714,714	3,209,235
<b>Designated funds</b>	15	5,257,182	-	5,257,182	-
<b>Unrestricted funds</b>	16	15,506,379	12,851,128	15,506,379	12,851,128
		23,478,275	16,060,363	23,478,275	16,060,363

The accounts were approved by the Board 24 April 2009

  
A Aslett  
Trustee

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

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008		2007	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	17		7,374,559		5,015,870
<b>Return on investments and servicing of finance</b>					
Interest received		568,193		814,940	
<b>Net cash inflow for returns on investments and servicing of finance</b>			568,193		814,940
<b>Capital expenditure and financial investment</b>					
Payment to acquire tangible fixed assets		4,211		29,025	
Net proceeds from sale of tangible fixed assets		-		(500,939)	
Payment to acquire fixed asset investments		500,000		-	
Payment to acquire current asset investments		9,944,493		-	
<b>Net cash (outflow)/inflow for capital expenditure</b>			(10,448,704)		471,914
<b>(Decrease)/ Increase in cash</b>	18		(2,505,952)		6,302,724