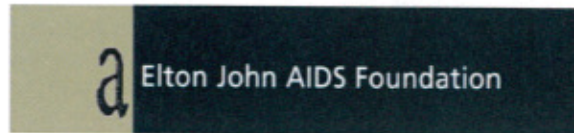


Charity Registration No. 1017336

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 2011

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

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	D Furnish (Chairman) A Aslett (Executive Director) Sir Elton John (Founder) J Bergius L Jackson M Littman J Locke F Presland S Campbell R Manoukian
Secretary	George Kangis
Charity number	1017336
Company number	02787008
Principal address	1 Blythe Road London W14 0HG
Registered office	1 Blythe Road London W14 0HG
Auditors	Bourner Bullock Chartered Accountants Sovereign House 212-224 Shaftesbury Avenue London WC2H 8HQ
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Eversheds 1 Wood Street London EC2V 7WS

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

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Directors' Report

For The Year Ended 31 December 2011



Elton John AIDS Foundation

The Directors of The Elton John AIDS Foundation (EJAF) are pleased to present their report together with the financial statements of the charity for the year ended 31 December 2011. Since all directors are trustees of the organisation, this report can also be considered as a report of the Trustees.

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 accounts standards and the Companies Act 2006.

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). It is based at 1 Blythe Road, London W14 0HG, which is also the charity's registered office.

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	Founder
A Aslett	
J Bergius	
D Furnish	Chairman
L Jackson	
M Littman	
J Locke	
F Presland	
R Manoukian	
S Campbell	

Nigel Roberts continues to serve as the Foundation's Honorary Treasurer and George Kangis as its Company Secretary.

GOVERNANCE STRUCTURE

The Foundation's governing Board, which constitutes 10 Trustees, meets up to four times a year of which one meeting (held this year in October) sets EJAF's overall policy and direction in all areas of its work for the coming year. This includes reviewing the Foundation's mission statement, its charitable aims, risks and current objectives. Subsequent meetings take a particular focus on grant making, fundraising and finance respectively, and are informed by the following three specialist committees that convene between 3 and 5 times per year:

The Grant Panel reviews the geographical spread and strategic focus of grants, as well as in-depth analysis of proposed individual grants. This analysis is provided in the form of papers produced by

grants staff that assess funding applications' merits in the context of EJAF's current goals and commitments. The Trustees have a 10-day window to consider assessments and discuss any issue directly with grants staff by phone before submitting their vote against each application. Any voting member of the Grant Panel can request a meeting to discuss the grant application(s). Funding decisions are made by way of a majority vote and are ratified by the Board. There is an appeal procedure for grant applicants that are unsuccessful. Face-to-face meetings 2-3 times per year allow for reflection on achievements, lessons learned and changes in funding landscape, all of which inform future strategic decisions.

The Fundraising and Development Group (FDG) has delegated authority to set overall fundraising strategy and goals, identify new opportunities and agree specific elements of critical fundraising projects, marketing and communications. The FDG meets a minimum of twice a year.

The Finance and Investment Committee (FIC) has delegated responsibility for the organisation's financial, investment and risk management. It specifically reviews financial performance, advises on the Foundation's investment strategy and undertakes periodic reviews of organisational risk, internal controls and financial policies and procedures.

Each group consists of voting Trustees and honorary non-executives (a quorum of three), specialist advisors where appropriate and staff members. In this way, the Board collectively has both general oversight of the organisation's activities as well as detailed understanding of each of its key areas of operation.

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, authority for operational matters, including grants, fundraising and finance. The charity also benefits from a Company Secretary, George Kangis, and a Treasurer, Nigel Roberts. Both are honorary positions.

Apart from the Executive Director, the Board of Trustees gives its time and expertise voluntarily and receives no remuneration or other emoluments from the Foundation. The Charity Commission has agreed that the Executive Director, who is also a Trustee, can be paid for her services to the organisation. This dispensation is specifically addressed within 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
D Furnish
A Aslett

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 within South Africa, by EJAF SA, 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 10 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.

A formal Trustee Handbook covers the legal objectives, mission and powers of the Foundation, how it operates, Board composition and terms of reference for the charity's Grant Making and Finance Committees. The handbook also sets out the role of Trustees (recruitment, responsibilities and leaving the Board) and provides guidance from the Charity Commission with respect to good governance and Trustees' responsibilities. An induction planner and checklist for new Trustees are also included. In addition to the handbook, the Foundation has an annual assessment framework that includes an analysis of any conflicts of interest, a self-assessment questionnaire for the Board, a Trustee performance appraisal and a diversity perception questionnaire. This framework is reviewed annually. Any new Trustees are, as part of their ongoing training and understanding of the organisation and the context of its activities, expected to attend a Grant Panel meeting and visit programmes in the field.

ROLE AND CONTRIBUTION OF VOLUNTEERS

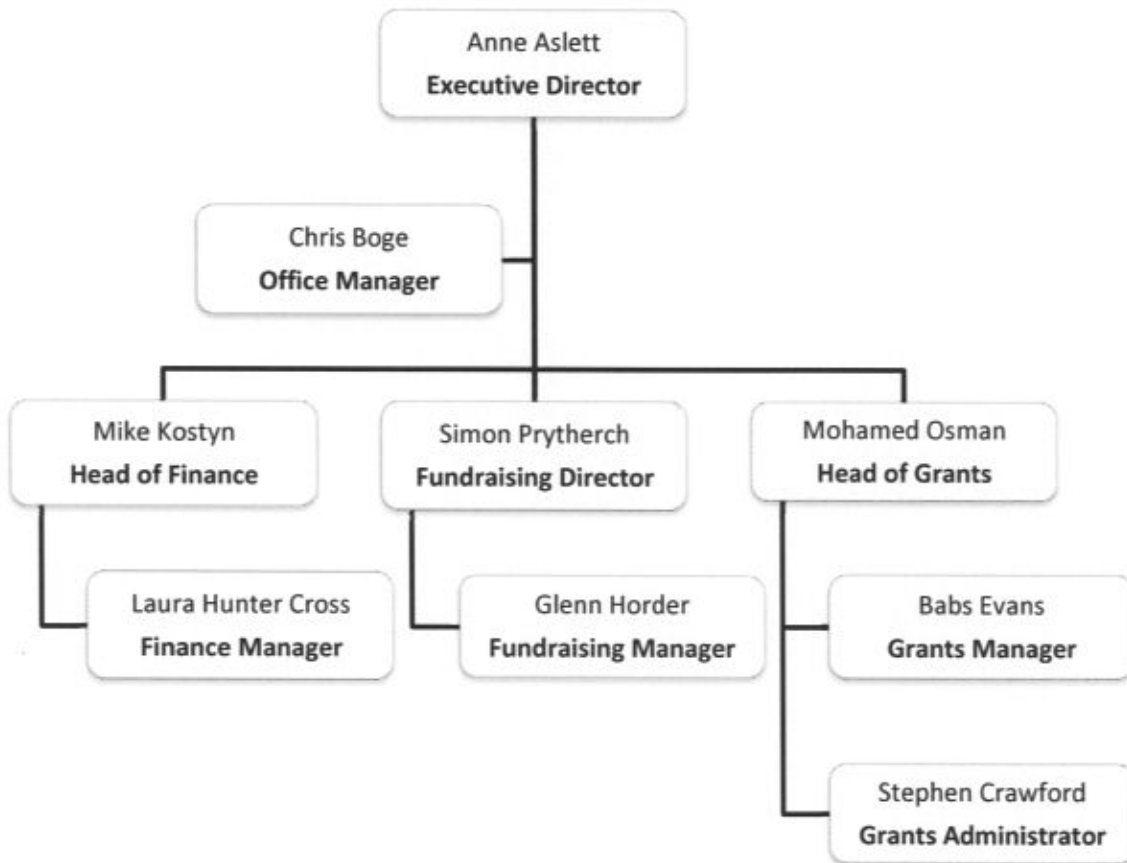
In line with the mission statement, volunteers play a vital part in supporting the fundraising and charitable activities of the Elton John AIDS Foundation. During the year, the Foundation benefited from over 20 volunteers who supported critical fundraising activities, including the White Tie & Tiara Ball (see below).

INTERNAL CONTROL

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. These controls are periodically reviewed as part of a governance review and are subject to review by the FIC.

MANAGEMENT POLICIES AND PROCEDURES

STAFF



There is a clearly articulated and approved staff structure within which all staff have defined management lines, detailed job descriptions and a formal appraisal process. Appraisals are informed by individual workplans (see below) and goals. Staff meetings were held and minuted on average every 6 weeks throughout the year. A Staff Handbook, reviewed and updated during 2010, outlines the Foundation's relevant policies and procedures.

PERFORMANCE EVALUATION AND PLANNING

An appraisal of the charity's performance against goals is reviewed annually by both staff and Trustees. The current Strategic Plan, which was agreed by the Board in late 2009, outlines the Foundation's objectives until the end of 2014.

A review at end of 2011 indicates that the Foundation is on target to meet or exceed goals, set within the Strategic Plan, by 2014.

The grant making strategy process is articulated for potential applicants on the Foundation's website (www.ejaf.com). A Grant Panel handbook and a scoring process for initial funding requests provides consistency, transparency and guidance for staff and Trustees in assessing proposals and setting terms of reference for expert advisors and consultants.

During 2011, the Foundation reviewed its management of financial risk in relation to grants disbursed and a new set of procedures has been agreed.

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.

PUBLIC BENEFIT AND ACTIVITIES

PUBLIC BENEFIT

The Foundation has complied with Section 17 of the Charities Act 2011 in relation to public benefit.

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

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.*

EJAF's vision is one where all people infected/affected by HIV are treated fairly, can access information and services to keep them healthy and safe, and live free from poverty and discrimination. Our 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, livelihood support, HIV 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.

ACTIVITIES

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

1. Grant Making to organisations that fulfil the Foundation's mission:
 - A. UK Projects
 - B. International Projects
 - C. Small Grants
2. Fundraising and promotional activities
3. Management and governance activities

ACHIEVEMENTS AND PERFORMANCE

GRANT MAKING

The Foundation's website provides information about how it views both 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. A concept note process for receiving unsolicited requests is also provided.

The Robert Key Memorial Fund which supports small grants for the most marginalised HIV-positive individuals with tangible, practical goods and services made five new awards this year.

A new restricted fund, The Elizabeth Taylor Memorial Fund, was established in collaboration with Foundation Patron George Michael (see Fundraising below) to support HIV work that will ensure that the voices and lives of people living with HIV/ AIDS are heard and valued, an area of special concern to Elizabeth Taylor whilst she lived. This meets with the Foundation's criteria for grant making. This Fund made its first award in 2011.

During 2011, the Grants Team received 160 Concept Notes, of which 27 went to application stage. 25 of these were approved at a value of over £12m. During the year, EJAF disbursed £8.2m to programmes approved by the Grant Panel. This level of grant making is consistent with increased activity in 2011 and reflects both the ambitious aspirations of the grants programme and the effects of the economic downturn on other potential funders (for which the Foundation has made significant provision in its reserves strategy).

At year end, the Foundation was managing 73 live grants totalling over £30m operating across 11 countries. This represents the largest portfolio in the Foundation's history. The importance and scope of these programmes requires greater analysis and reporting. As such, it was agreed by Trustees that a further staff member in the Grants Team, that of Grants Analyst, is required. This post will be recruited in 2012.

Field trips to assess the progress of many live programmes as well as review potential new grants were undertaken including in South Africa, Malawi, Kenya, Uganda, Zambia, Tanzania, Ukraine and as well as within the UK.

Despite increased activity both in funds disbursement, management and technical support, overheads remained extremely low at less than 1p in every £1 that the Foundation spent. 96.5% of all the Foundation's expenditure was made on its charitable objectives, with over 92p in every £1 spent going directly to recipient partner organisations.

In the first half of 2011, a technical specification for a new grants management database was drawn up. The Grants team reviewed a series of grants management databases used by other charities from which the most suitable system was determined as being Salesforce. Based on a set of quotations to design, develop and train grants staff on the Salesforce system, Vera Solutions was contracted for this work and the new database went live in July 2011. In addition to allowing much greater analysis of grants by theme, region, beneficiary, global goals and funds disbursed, it also allows for remote access by Trustees (for use in referencing grant applications) and integrates with an online concept note application form embedded on the Foundation's website. Full application forms will be similarly embedded in 2012.

As planned, 2011 also saw the introduction of Key Performance Indicators for all grants over a value of £500,000 and new generic metrics across grant themes: working with women, children, treatment programmes and for men who have sex with men. All current grantees are now reporting against these metrics (in addition to any project specific data tracking where relevant). They have been added to all application and reporting formats and can be aggregated using the new grants management database.

These developments mean that, in future, the Foundation will have the systems and the data to assess in real time both the performance of individual grants and our overall performance as a grant maker, as well as aggregating achievements of the work we fund. This will be a great asset to learning, realistic goal setting and communications.

PRESENTATIONS

In March 2011 the Grants Team presented to Trustees all the Foundation's updated grant making processes and procedures. This provided an opportunity to familiarise Trustees with new forms used for appraisal and reporting, quality assurance for response times to applicants and grantees, and financial oversight. Some additional checks to financial management of grantees were recommended.

For the first time this year, a series of learning sessions were held with individual grantees across the second half of 2011, to which Trustees and non-grants staff were invited. These sessions provided an opportunity to share detailed learning of our work across the organisation, and to undertake an in-depth reflection with grantees on their relationship with the Foundation with respect to performance, learning, and to ensure consistency between our assessment and management processes. Grassroot Soccer, mothers2mothers, CHIVA, Sussex Beacon, Donald Woods Foundation, Riders for Health and Partners In Health participated in this process. These sessions will form a core element of the Foundation's grant making cycle going forward. Furthermore, they will inform existing and future relationships with grantees, enhance learning will provide compelling examples of achievements that can be shared with donors and broader audiences.

EJAF commissioned in-depths review of our achievements and learning in the areas of Prevention of Mother-to-Child Transmission (PMTCT) and Orphans and Vulnerable Children (OVC), as well as an overview of our work in South Africa by independent consultants. The findings were presented to Trustees at a Board Meeting in December 2011.

UK PROJECTS

During 2011, the foundation supported 'Life Plus': a project launched through an innovative online service at www.myhiv.org.uk. The programme has benefited almost 5,000 people living with HIV (PLWH) in UK as at the end of December 2011. It was 'highly commended' at the 2011 British Medical Association (BMA) Patient Information Awards.



PLWH are more likely to experience poverty than the general population, have higher levels of unemployment and lower levels of income (recent research showed 23% of PLWH aged over 50 but below retirement age were unemployed compared to 4.4% in the general population). This group is likely to be affected by the government's Welfare Reform Bill and could face a reduction in income and benefits. During 2011, the Foundation made a £682k grant to the Terrence Higgins Trust's hardship fund to provide financial support for PLWH who are living in poverty in the UK.

The Foundation provided a small grant to Positively UK to support a conference for PLWH. The conference brought together 150 activists living with HIV to create a national network of PLWH that would respond to local, regional and national consultations. These activists got involved in shaping new health and social care commissioning arrangements.

INTERNATIONAL PROJECTS

During 2011, EJAF made a £1.57m grant to MAMTA Health Institute for Mother and Child in India. The grant will support MAMTA's work in Uttar Pradesh and Madhya Pradesh to reduce poor, young, rural women's vulnerability to HIV. MAMTA will implement the programme in 1,200 villages within these states through an innovative approach that addresses the root causes of HIV vulnerability. It will enhance adolescent girls' access to information on sexuality and access to sexual and reproductive health services including HIV, financial skills and education. EJAF has engaged Population Council to undertake a rigorous evaluation of the project to identify the extent to which it has reduced adolescent girls' vulnerability to HIV and has strengthened factors protecting them from risk.



EJAF awarded a £1.89M grant to Kheth'Impilo AIDS Free Living in 2011. Kheth'Impilo will support the South African government's strategy of scaling up HIV treatment by deploying pharmacist assistance in rural health centres. The grant will enable Kheth'Impilo to expand a piloted, effective and cost-efficient strategy for developing pharmacy assistants to work alongside nurses in local clinics and thereby expand access to antiretroviral therapy and its provision to thousands of newly diagnosed patients.

EJAF's grant of £600k to UHAI in Kenya will increase access to HIV services for both undiagnosed and diagnosed HIV+ Men who have Sex with Men (MSM) in Kenya, Tanzania and Uganda. UHAI will work with MSM grassroots organisations to increase the uptake of health services by generating demand

within the MSM communities and working with MSM-friendly service providers. The grant will also support initiatives that advocate for the decriminalisation of homosexuality, which remains a key barrier to accessing HIV services.

The Foundation continued to seek key strategic projects. 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.

PROVISION OF SMALL GRANTS

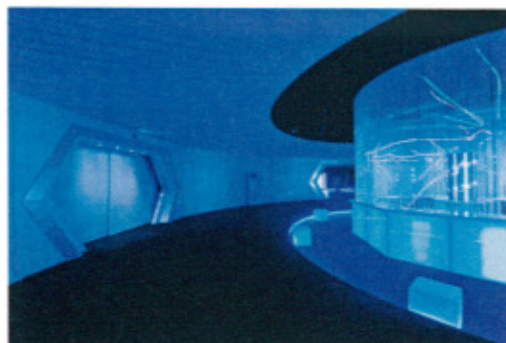
The Firelight Foundation continued to administer a small grants programme on behalf of the Foundation, assessing and proposing new activities to support grassroots organisations in Lesotho, Malawi, South Africa, Tanzania and Zambia. Furthermore, during 2011 the Foundation awarded several small grants under the Robert Key Memorial Fund (see below).

GRANTS ADMINISTRATION

The cost of administering all grants, which include the selection, monitoring and evaluation of the portfolio, amounted to 5% of total disbursements.

FUNDRAISING ACTIVITIES

2011 was another successful year in terms of fundraising income, which was mostly generated from events, merchandise, private donations and grant-making trusts. The consolidated gross income from fundraising activities and voluntary income amounted to over £10m in the year, made up of ticket sales, auction income, sponsorship, merchandise, donations and grant awards.



With regards to events, the 13th White Tie & Tiara Ball, held in June 2011 raised a net income in excess of £5.5m, (of which £4.7m was accounted for in 2011). Since costs for the White Tie and Tiara Ball were underwritten and met by sponsorship, all monies received from donations and auction lots on the night directly benefited the charity. Other notable events during 2011 included the co-hosting of the Winter Ball with Grey Goose Vodka, which raised over £500k, of which £467k is recognised in this year's accounts and a gala dinner, hosted by George Michael, that brought in over £1m, of which £765k is recognised in the year.

The Foundation continues to benefit from the support and generosity of substantial ongoing sponsor relationships including Chopard, Grey Goose Vodka, OK! Magazine and Audi. In 2011, EJAF began a relationship with the new hotel, W London, who made EJAF its official charity.

EJAF continued merchandising projects with Chopard. The Foundation raised over £480k from the sale of three gold watches and recognises income from this edition of £458k. The collaboration with W Hotels raised £52k as well as further in-kind support.

In other notable initiatives:

1. EJAF benefitted from income with relation to the exclusive photo story concerning the birth of Zachary Furnish-John that ran in OK! Magazine and Us Weekly;
2. Jeremy Joseph of G-A-Y ran a number of income-generating fundraisers for EJAF. Over £70k has been accounted for in 2011 in relation to this;
3. A number of smaller annual events brought in between £4k and £50k. These included the British Equity Tennis Tournament and Revival at the Roof Gardens.
4. EJAF launched some major SMS/ text awareness and fundraising projects. This included a festival programme that included a programme of EJAF messaging and text prompts at five UK festivals alongside a video call-to-action from some of the featured artists including Plan B, Eminem and the Scissor Sisters. The SMS initiative was embedded in Gay Times' editorial features at the close of 2011 in conjunction with their 'Naked Edition'.



EJAF continues to maintain and develop its website, www.ejaf.com. During 2011, a plan to overhaul its design and functionality was initiated. The Foundation developed its social media interface to keep supporters up to date about the Foundation's work around the world and how they could get involved and support the charity.

MANAGEMENT AND GOVERNANCE ACTIVITIES

The Trustees maintained direct engagement with the Foundation's activities. Four Trustees attended Finance & Investment Committee meetings during the year and 3-4 trustees contributed to six Grant Panel reviews of applications, as well as attending a Board Meeting with special focus on grant making in December. Three Trustees visited international grants programmes during 2011.

The Finance & Investment Committee (FIC) met three times during the year. The committee formally reviewed the organisation's financial performance and strategy, which included examining the 2010 external audited accounts, managing and setting the risk appetite of the Foundation, reviewing the Foundation's reserves policy and reviewing the 2012 budget.

The Fundraising Development Group, attended by 3 Trustees, met in February and October 2011 to review sources of income, format of fundraising projects and events, revenue targets and the levels of Trustee and Patron engagement to be sought over the course of the year.

During 2011 the Executive Director led a series of initiatives to:

- Further embed and streamline strategic planning;
- Expand external expertise available to the Foundation;
- Foster greater collaboration with key stakeholders
- Review the Foundation's charitable objectives;
- Ensure all staff have meaningful engagement with the Foundation's mission and activities

As a result, Management Meetings (held approximately every 6 weeks) were re-orientated to frame all activities against the top line operational plans used by Finance, Fundraising, Grants and Governance. This ensured that activities were seen in the context of strategic planning rather than simply day-to-day priorities through the year. The year-end Strategy Day to review performance was similarly framed against strategic priorities and operational plans.

Two additional external advisors, Mark Dybul and John Fairhurst, joined the Foundation's Advisory Panel. Mark will provide input on global context, organisational opportunities and threats and strategic planning, whereas John will support the Grants Team in analysis of proposals and identification of risk. James McIntyre continued to provide technical support in relation to HIV treatment issues.

The Executive Director chaired a meeting of the European Funders' Group (EFG) attended by representatives from over 80 private European foundations supporting HIV/AIDS work. The global context, epidemiology, finance, and scenarios for the future, were outlined by UNAIDS chief Michel Sidibe, and Bernhard Swartlander, Director, Evidence Strategy and Results Department at UNAIDS. This provided an opportunity to share information with the Foundation's counterparts in Europe.

A review of the Foundation's charitable objectives, including removing explicit reference to AIDS research was undertaken, proposed to the Board and agreed by the Charity Commission.

All staff were offered the opportunity to spend a week in Cambodia, with Foundation grantee Habitat for Humanity, building the first of 320 houses to be renovated or constructed for use by severely marginalised families living with HIV in Cambodia. Heads of Finance and Grants, the Fundraising and Office Managers all undertook this trip. The Executive Director accompanied one Foundation Trustee and two patrons on the trip, which was also filmed for communications purposes (see below).



COMMUNICATIONS

The Foundation saw closer links between its work and key public champions both in the UK (the Secretary of State for Health officially launched one of the Foundation's key investments in the UK) and internationally. The cable channel CNBC aired a profile on Tamara Mellon in March 2011 and Lulu received a Lifetime Achievement Award at the Woman of the Year luncheon in October. Both Foundation patrons used these platforms to promote the work of the Foundation.

In July/August 2011, the Foundation worked with a range of international performers to produce public HIV awareness films which were screened at pop festivals across the UK and seen by over 400,000 people.

The Foundation's website has significantly increased its unique monthly visitors to over 6,000 whilst social media followers on Facebook and Twitter have increased by 1,230% since 2010. A series of articles on our funded work and op-ed pieces authored by Elton John, furthering our goals and mission, appeared in the national press. Elton John also officially marked World AIDS Day in Sydney with a public speech, and, together with Presidents Obama, Bush and Clinton, contributed to a ONE-initiated YouTube panel discussing the end to the AIDS epidemic, which was viewed by over 1 million people.

As planned, Trustees Sir Elton John, David Furnish and Johnny Bergius, along with donors and sponsors, visited Foundation-funded programmes in Ukraine in September 2011, from which a World AIDS film was produced.

All fundraising events, and in particular the White Tie & Tiara Ball, Winter Ball and George Michael benefit generated significant press on our work.

PLANS FOR FUTURE PERIODS

GRANTS

In light of compelling international research, published during 2011, that demonstrates the preventative effects of antiretroviral therapy, and new global commitment to end vertical transmission of HIV by 2015, the Foundation will prioritise quality HIV testing and treatment access throughout its work, supporting this goal under a new banner to 'Make the Future AIDS Free'. This will explicitly inform all grant making decisions and will be tracked across the Foundation's portfolio, generating 'dashboards' on the Foundation's contribution to this goal locally, nationally and globally.

FINANCE

The Finance team will seek to further improve the already robust internal controls and financial processes. This will include a formal updating of the financial policies and procedures manual and further training the grants team in financial assessment, review and evaluation of grant applications and awards.

COMMUNICATIONS

A new website, branding and materials will be developed during 2012 in anticipation of the Foundation's 20th anniversary which will incorporate the organisational banner: 'Make the Future AIDS Free' (see above).

FUNDRAISING

As the 20th anniversary approaches in 2013, the Foundation will work on specific projects to mark what has and continues to be achieved as well as celebrating EJAF's success within its continuing event schedule.

The focus of the fundraising strategy will continue to explore multiple avenues and platforms to engage new and existing donors, including seeking to increase lower value, higher volume gifts through low cost initiatives. Such activities will incorporate the redevelopment of the Foundation's website and social media platform together with an increased channelling of online donations and regular giving and investigating new income generation methods such as workplace giving, in kind gifts and legacies. The Fundraising team will also seek to improve revenue generating opportunities from sponsorships, advertising and merchandising and to look at new ways to thank donors and get them involved in EJAF's work.

The Fundraising team will continue to monitor its efficiency in raising key funds by analysing and benchmarking the cost effectiveness of its efforts. The team will continue its ongoing work to ensure the Foundation develops and delivers income-generating projects of the highest standards through its focus on website and social media and its management of mailing and database functionality.

GOVERNANCE

During 2012, the Board and its subcommittees will review the goals and commitments for the Grants, Fundraising and Finance groups and set goals for each group. EJAF will undertake a skills audit of its Board and manage and review its self-appraisal questionnaire and conflict of interest forms.

STAFF DEVELOPMENT

EJAF will recruit a Grants Analyst in 2012, who, together with the Head of Grants, will develop new tools and refine approaches for managing and analysing grants performance, particularly against a wider, global context, as well as benchmarking achievements and 'value for money'.

Mike Kostyn, EJAF's Head of Finance will support and train up the grants team to further improve the management of the financial aspects of the grants cycle.

The Foundation will support Chris Boge and Glenn Horder (Office Manager and Fundraising Managers respectively) to expand their expertise in overseeing the development of a new website and associated social media. This will include recruiting a part-time worker to support these activities.

The Foundation will seek to identify further opportunities to deepen staff engagement with the work of Foundation grantees and will explore discrete projects that create new staff teams.

MANAGEMENT

The Senior Management Team will review progress against agreed workplans throughout 2012. Additional metrics to track progress across the organisation and benchmark against other charities in key areas will be developed.

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 Big Lottery Fund and Comic Relief. The vast majority of the Foundation's expenditure is undertaken directly on disbursing 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, that the charity is governed and managed effectively and appropriately and in support of further developing the effectiveness of the charity's fundraising.

The overall financial position of the charity remains healthy with a net surplus of £145k being reported in 2011. Income increased to £10.4m, consolidating and expanding the Foundation's supporter base within the continuing challenging economic environment. Investment income rose by 92% even though the Bank of England base rate remained at a historic low throughout the year.

INCOMING RESOURCES

Total consolidated income increased by 13% to £10.4m (2010: £9.2m) including £5.8m from voluntary sources (2010: £5.5m), £4.2m from the trading subsidiary (2010: £3.5m) and £334k from investments (2010: £174k).

CHARITABLE EXPENDITURE

Consolidated Charitable Expenditure increased by 10% to £8.63m (2010: £7.86m). 95% of this total constitutes direct awards to implementing partners in the 11 countries, in which EJAF is active. Total Charitable Expenditure for the charity constitutes 96.5% of total resources spent by the charity and 84.8% with respect to the consolidated figures.

GOVERNANCE AND ADMINISTRATION

The consolidated total governance costs fell by 5.4% in 2011. The £59.9k spent on administering the charity (2010: £63.3k) represents 0.6% of total consolidated income and 0.6% of total consolidated resources expended (0.6% with respect to the charity alone).

FUNDRAISING

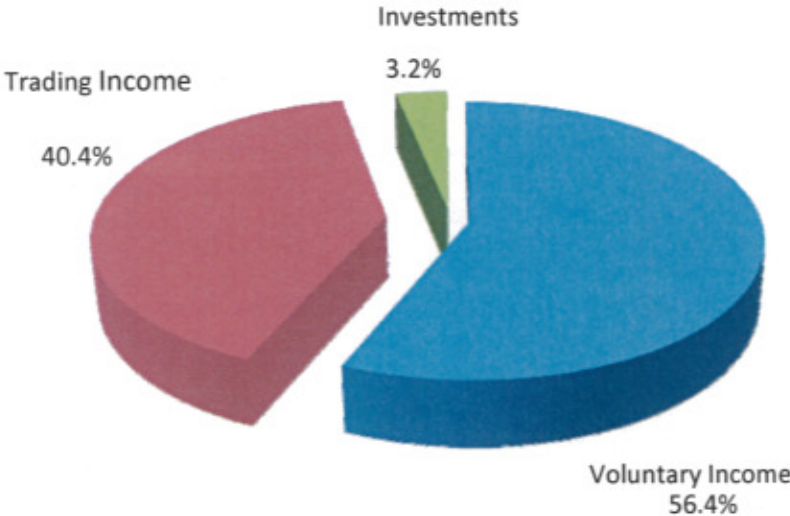
Consolidated voluntary income from individual givers and donors increased to £5.8m (2010: £5.5m), an increase of 6.0%. Trading income increased to £4.2m (2010: £3.5m), a rise of over 19%.

Combining these figures, income from fundraising activities amounted to £10.0m (2010: £9.0m), an overall increase of 11.1%. The cost of raising these funds rose, from £1.41m to £1.49m, or 5.6%. This constitutes 14.8% of total consolidated fundraising income or a fundraising income to expenditure ratio of over 6.7:1.

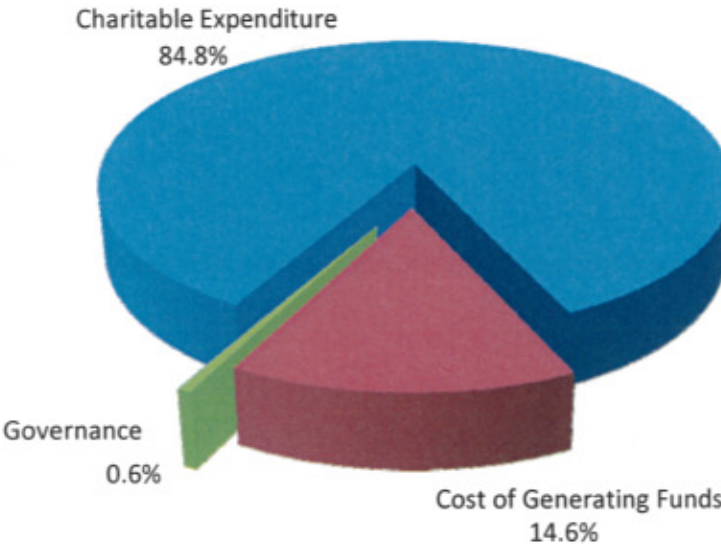
INVESTMENTS POLICY

The Finance and Investment Committee reviews the Foundation’s risk appetite at its meetings, which results in the setting of investment parameters. These parameters dictate the level of investment and the types of financial instruments the Foundation will invest in. Mike Kostyn, the Head of Finance, is charged with the responsibility of placing funds in accordance with these parameters whilst ensuring that the cash flow needs of the Foundation are met.

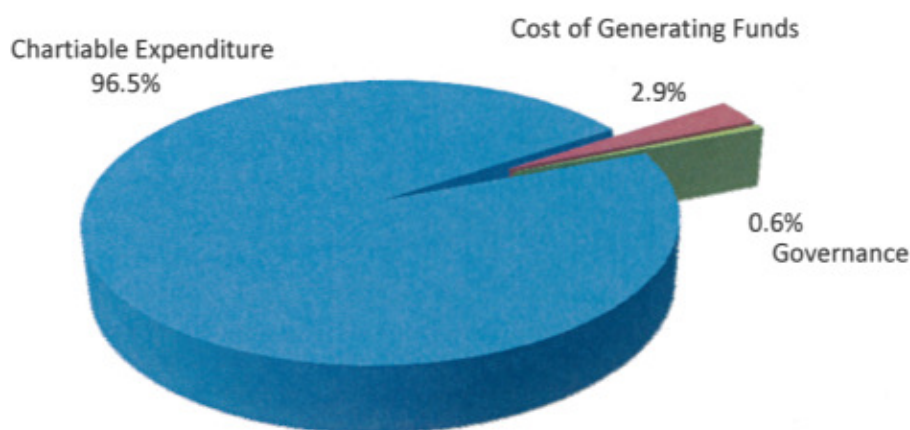
INCOMING RESOURCES (CONSOLIDATED)



OUTGOING RESOURCES (CONSOLIDATED)



OUTGOING RESOURCES (CHARITY)



EJAF TRADING LIMITED

The charity has a wholly owned trading subsidiary, EJAF Trading Limited, which provides the management for one-off fundraising events. All profits from its activities are paid to the charity. The Trustees are satisfied with the performance and results of the subsidiary for the year ended 31 December 2011.

RISK AND INTERNAL CONTROL

The Board of Trustees continue to review and assess the risks that the charity faces and potential impact they may have on the organisation. As part of this regular review in 2011, 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.

The Senior Management Team is in the process of revising the risk register to establish it as a working document. It will be formally reviewed each quarter and presented to the FIC.

The Head of Finance, Mike Kostyn, together with the other members of the senior management team, have made continual improvements to the Foundation's internal controls and organisational processes and procedures. During 2012, the procedures manual will be further updated and formally agreed to reflect these improvements.

RESERVES

EJAF's total funds as at 31 December 2011 are £26.9m (2010: 26.7m) of which £2.2m are classified as restricted funds (2010: £2.4m) and £9.8m as designated funds (2010: £9.3m).

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.

DESIGNATED FUNDS

The contracts that EJAF enters into with its Grant Recipients are predominantly multi-year awards. Accordingly, the Foundation holds a level of future grant commitments at any one time. The Board agreed that these commitments, which have not been allocated to specific income sources, be recognised as a designated fund in the accounts. As at 31 December 2011, £9.6m is contracted and committed to such future grants and included within a designated fund.

EJAF continues, through the Robert Key Memorial Fund, to support programmes that provide a direct and tangible benefit to people living with HIV/AIDS from marginalised communities and/or facing exceptionally difficult circumstances. £200k has been designated to this fund each financial year.

UNRESTRICTED FUNDS

The total unrestricted fund as at 31 December 2011 is £14.9m as a result of an unrestricted deficit in the year of £147k after transfers and unrealised losses.

During 2011, the Trustees reviewed the reserves policy, whose objective is to ensure that 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. The Board, through its delegated authority to the Finance and Investment Committee agreed to maintain a reserves policy of the Foundation at £12m, which equates to 2 years' of sustainable operating costs, which includes grants disbursed. This also ensures that the Foundation can mitigate against new and existing grant recipients bearing any organisational shocks that EJAF may suffer in the short term.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Trustees' Report and the financial statement in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Policies (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its income and expenditure for that period. In preparing these financial statements, the trustees are required to:

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

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

STATEMENT OF DISCLOSURE TO AUDITORS

So far as the trustees are aware, there is no relevant audit information of which the charitable company's auditors are unaware. Additionally, the trustees have taken all the necessary steps that they ought to have taken as trustees in order to make themselves aware of all relevant audit information and to establish that the charitable company's auditors are aware of that information.

AUDITORS

A resolution to reappoint Bournier Bullock as the Foundation's auditors will be proposed at the Annual General Meeting for the year ended 31 December 2011.



On behalf of the board of Trustees

Anne Aslett (Executive Director)

Trustee

Dated: 16 May 2012

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND
TRUSTEES OF THE ELTON JOHN AIDS FOUNDATION**

We have audited the financial statements of the Elton John AIDS Foundation for the year ended 31 December 2011, which comprise the Group Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 43 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the annual financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND
TRUSTEES OF THE ELTON JOHN AIDS FOUNDATION**

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'David Matkins'.

**David Matkins (Senior Statutory Auditor)
for and on behalf of Bournier Bullock**

**Statutory Auditors
Chartered Accountants**
Sovereign House
212-224 Shaftesbury Avenue
London WC2H 8HQ

16 May 2012

Bournier Bullock is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Unrestricted funds £	Designated funds £	Restricted funds £	Total 2011 £	Total 2010 £
Incoming resources						
Voluntary income	2	4,563,956	-	1,276,485	5,840,441	5,509,821
Trading income	3	4,009,355	-	180,450	4,189,805	3,519,939
Investment income	4	333,582	-	-	333,582	173,800
Other incoming resources	5	774	-	-	774	-
Total incoming resources		8,907,667	-	1,456,935	10,364,602	9,203,560
Resources expended						
Costs of generating funds						
Costs of generating voluntary income	6	(10,428)	-	-	(10,428)	15,963
Trading expenses	6	1,172,896	-	-	1,172,896	1,170,651
Direct Fundraising Expenditure	6	326,058	-	-	326,058	223,129
Charitable activities						
Grants made	6	6,515,733	72,069	1,648,748	8,236,550	7,417,891
Grants' costs	6	394,496	-	2,191	396,687	444,019
Governance costs						
	6	59,889	-	-	59,889	63,281
Total resources expended		8,458,644	72,069	1,650,939	10,181,652	9,334,934
Net incoming resources before transfers		449,023	(72,069)	(194,004)	182,950	(131,374)
Gross transfers between funds	7	(557,781)	557,781	-	-	-
Net incoming resources after transfers		(108,758)	485,712	(194,004)	182,950	(131,374)
Other recognised gains and losses						
Unrealised loss on investments	23	(38,200)	-	-	(38,200)	-
Net income/ expenditure for the year		(146,958)	485,712	(194,004)	144,750	(131,374)
Unrealised gains in the year	23	-	-	-	-	20,300
Net movement in funds		(146,958)	485,712	(194,004)	144,750	(111,074)
Fund balances at 1 January 2011		15,006,301	9,269,299	2,432,464	26,708,064	26,819,138
Fund balances at 31 December 2011		14,859,343	9,755,011	2,238,460	26,852,814	26,708,064

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.

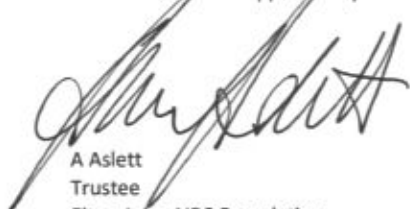
The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

CONSOLIDATED AND CHARITY BALANCE SHEETS
AS AT 31 DECEMBER 2011

	Notes	Group		Charity	
		2011 £	2010 £	2011 £	2010 £
Fixed assets					
Tangible assets	10	10,177	5,398	5,735	272
Investments	3, 12	505,100	543,300	505,101	543,301
		<u>515,277</u>	<u>548,698</u>	<u>510,836</u>	<u>543,573</u>
Current assets					
Debtors	11	903,079	1,033,341	1,088,343	1,295,359
Investments	12	16,568,864	10,924,456	16,568,864	10,924,456
Cash at bank and in hand	18, 19	9,707,787	14,653,777	9,201,744	14,016,969
		<u>27,179,730</u>	<u>26,611,574</u>	<u>26,858,951</u>	<u>26,236,784</u>
Creditors: amounts falling due within one year	13	(842,193)	(452,208)	(516,973)	(72,293)
Net current assets		<u>26,337,537</u>	<u>26,159,366</u>	<u>26,341,978</u>	<u>26,164,491</u>
Total assets less current liabilities		<u>26,852,814</u>	<u>26,708,064</u>	<u>26,852,814</u>	<u>26,708,064</u>
Represented by:					
Unrestricted funds	16	14,859,343	15,006,301	14,859,343	15,006,301
Designated Funds	15	9,755,011	9,269,299	9,755,011	9,269,299
Total Unrestricted Funds (including Revaluation Reserve of £5,100)		<u>24,614,354</u>	<u>24,275,600</u>	<u>24,614,354</u>	<u>24,275,600</u>
Restricted funds	14	2,238,460	2,432,464	2,238,460	2,432,464
		<u>26,852,814</u>	<u>26,708,064</u>	<u>26,852,814</u>	<u>26,708,064</u>

The accounts were approved by the Board on

16.5.12



A Aslett
Trustee
Elton John AIDS Foundation
Company Registration Number 02787008
Charity Number 1017336

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011		2010	
		£	£	£	£
Net cash inflow from operating activities	17		480,826		130,354
Return on investments and servicing of finance					
Investment Income received		226,193		111,427	
Net cash inflow for returns on investments and servicing of finance			226,193		111,427
Capital expenditure and financial investment					
Payment to acquire tangible fixed assets		(8,601)		-	
Payment to acquire current asset investments		(14,068,866)		(3,549,999)	
Proceeds on sale of current asset investments		8,424,458		9,980,363	
Net cash inflow/(outflow) for capital expenditure			(5,653,009)		6,430,364
Increase/ (decrease) in cash	18		(4,945,990)		6,672,145

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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 2006.

Staff costs are apportioned between activities on a time spent basis. Support costs are apportioned across activities by analysing the level of administration required by each activity.

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 2011 is £9,191,706 (2010: £7,939,841). These amounts include Gift Aid received from EJAF Trading Limited for 2011 of £2,958,459 (2010: £2,340,429) which have been eliminated on consolidation.

1.2 Incoming resources

Income consists of donations receivable and gift aid on income when donations are made under Gift Aid or a Deed of Covenant. Income from general donations and 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:

Furniture and equipment	Straight line over 3 years
-------------------------	----------------------------

1.5 Investments

Investments are included at closing market value at the balance sheet date. Any gain or loss on revaluation is taken to the Statement of Financial Activities and disclosed in note 22 (Revaluation Reserve).

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.

1.8 Grant Commitments

In 2010, only grants that were actually paid were recognised as being disbursed in the year. In 2011, any grants due to have been paid in 2011 but which were delayed, have been recognised within creditors on the face of the balance sheet on the condition that they have been disbursed by the end of February 2012.

1.9 Accumulated Funds

Restricted Funds are subject to individual donors' specific terms and conditions as to their utilisation. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Designated Funds comprise funds that have been set aside at the discretion of the trustees for specific purposes. These purposes are set out in the notes to the accounts.

1.10 Company Status

The Company does not have a share capital and is limited by guarantee up to a maximum of £1 for each member. The company satisfies the requirements of Section 60 (1) of the Companies Act 2006 and, having made a statutory declaration to this effect, is exempt from using the word 'Limited' in its name.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2 Voluntary income

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
Donations and gifts	4,563,956	1,276,485	5,840,441	5,509,821

3 Trading Income

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:

	2011 £	2010 £
Turnover	4,189,805	3,519,939
Cost of sales	(1,172,896)	(1,159,264)
Administrative expenses	(60,666)	(21,364)
Interest receivable	2,216	1,118
Net profit	2,958,459	2,340,429
Amount gifted to the charity	(2,958,459)	(2,340,429)
Retained in the subsidiary	-	-
The assets and liabilities of the subsidiary were:		
Tangible assets	4,442	3,019
Current assets	998,232	1,305,377
Creditors: amounts falling due within one year	(1,002,673)	(1,308,395)
Total net assets	1	1
Aggregate share capital and reserves	1	1

Cost of sales and administrative expenses includes auditors' remuneration of £7,250 (2010: £7,750)

4 Investment income

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
Interest receivable	333,582	-	333,582	173,800

5 Other incoming resources

Other incoming resources of £774 (2010: £NIL) were receivable in 2011 relating to interest receivable on gift aid.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011

6 Total resources expended	Staff costs £	Depreciation £	Other costs £	Total 2011 £	Total 2010 £
Costs of generating funds					
Management and admin costs	-	1,754	(12,182)	(10,428)	15,963
Trading expenses	-	-	1,172,896	1,172,896	1,170,651
Fundraising costs	223,716	-	102,342	326,058	223,129
Charitable activities					
Grants costs	346,227	1,749	48,711	396,687	444,019
Grants made					
Restricted	-	-	1,648,748	1,648,748	1,629,710
Unrestricted	-	-	6,515,733	6,515,733	5,783,076
Designated	-	-	72,069	72,069	5,105
Governance costs	33,634	318	25,937	59,889	63,281
	603,577	3,821	9,574,254	10,181,652	9,334,934

Governance costs include audit fees of £8,100 (2010: £5,100) for The Elton John AIDS Foundation. Included within the costs is £57,463 relating to realised foreign exchange gains (2010: losses of £16,313). Staff costs are allocated based on time apportionment. All grants disbursed in 2011 were made to institutions.

7 **Gross transfers between funds**

At 1 January 2011, the Foundation held designated funds of £9,269,299 relating to future grant commitments. During 2011, £5,109,675 of this balance was disbursed to project partners and a further £5,595,387 was committed.

The Trustees agreed to continue to designate £200,000 per year to the Robert Key Memorial Fund, which was set up in 2009. The total of grants disbursed from this fund (£72,069) is therefore shown as a reserves transfer.

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 payable during the year, including national insurance, pension and healthcare, was £132,378 (2010: £125,762), being in respect of Anne Aslett.

During the year no remuneration was paid or expenses reimbursed to trustees in relation to their duties.

During the year the charity paid £5,535 (2010: £5,513) for trustees indemnity insurance to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

9 **Employees**

	2011 £	2010 £
Employment costs		
Wages and salaries	510,529	482,679
Social security costs	62,928	58,789
Other pension costs	16,876	16,665
Other employment costs	13,244	19,998
	603,577	578,131

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011

9 Employees (continued)

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

	2011 Number	2010 Number
<u>General management function</u>		
£60,000 - £69,999	3	3
£100,000 - £110,000	-	1
£110,000 - £120,000	1	-
	<u>4</u>	<u>4</u>

Contributions totalling £27,003 (2010: £19,854) were made to defined contribution pension schemes on behalf of employees whose emoluments exceed £60,000.

Number of employees

The average monthly number of employees during the year was:

	2011 Number	2010 Number
General management function	8	9

10 Tangible fixed assets - group and charity

	Furniture and equipment £	Charity total £	Subsidiary Furniture and equipment	Group Total £
Cost				
At 1 January 2011	83,440	83,440	14,812	98,252
Additions	8,600	8,600	-	8,600
Disposals	-	-	-	-
At 31 December 2011	92,040	92,040	14,812	106,852
Depreciation				
At 1 January 2011	83,168	83,168	9,686	92,854
Charge for the year	3,137	3,137	684	3,821
On disposals	-	-	-	-
At 31 December 2011	86,305	86,305	10,370	96,675
Net book value				
At 31 December 2011	5,735	5,735	4,442	10,177
At 31 December 2010	272	272	5,126	5,398

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011

11 Debtors

	Group 2011 £	2010 £	Charity 2011 £	2010 £
Trade debtors	978	271,476	-	61,476
Prepayments and accrued income	860,340	761,406	369,129	302,837
Other debtors	41,761	459	41,761	459
Amounts owed by group undertakings	-	-	677,453	930,587
	903,079	1,033,341	1,088,343	1,295,359

12 Investments

	Group 2011 £	2010 £	Charity 2011 £	2010 £
Market Value at 1 January 2011	11,467,756	17,872,104	11,467,757	17,872,105
Additions to Investments at Cost	14,068,866	3,555,715	14,068,866	3,555,715
Disposal of Investments at Cost	(8,424,458)	(9,980,363)	(8,424,458)	(9,980,363)
Net (loss)/ gain on revaluation	(38,200)	20,300	(38,200)	20,300
Market Value at 31 December 2011	17,073,964	11,467,756	17,073,965	11,467,757

Of the total, £16,568,864 (both Group and Charity) relate to current investments and £505,100 (Group) and £505,101 (Charity) relate to fixed asset investments.

All investments are held primarily to provide investment return for the charity.

Investments held are as follows:

	Market Value £	Percentage of Total Investments %
Clydesdale Bank (Fixed Rate Bond)	5,000,000	29.3%
Bradford & Bingley (Notice Account)	6,476,080	37.9%
Alliance & Leicester (Fixed Rate Bond)	1,000,000	5.8%
Britannia Building Society (Notice Account)	2,061,856	12.1%
Scottish Widows (Notice Account)	2,030,928	11.9%
Barclays 4 year World Basket Note	505,100	3.0%
	17,073,964	100.0%

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

13 Creditors: amounts falling due within one year

	Group		Charity	
	2011 £	2010 £	2011 £	2010 £
Trade creditors	456,056	39,434	454,746	36,814
Taxes and social security costs	38,897	40,587	38,897	28,440
Accruals and deferred income	344,438	372,187	20,528	7,039
Other creditors	2,802	-	2,802	-
	842,193	452,208	516,973	72,293

14 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 2011 £	Income received £	Movement in funds		Balance at 31 December 2011 £
			Utilised/ transferred £	Fund Transfers £	
Life Ball, Vienna	33,749	-	(33,749)	-	-
The Vodafone Group Foundation	139,798	-	-	-	139,798
Comic Relief	-	185,767	(185,767)	-	-
"4 Inches" / Jimmy Choo / Cartier	267,619	-	(267,627)	74,908	74,900
Project PEP by Jimmy Choo	309,561	-	(154,127)	(74,908)	80,526
Elena Franchuk ANTIAIDS Foundation and Victor Pinchuk Foundation	527,929	317,463	(2,191)	-	843,201
Improving the Lives of HIV-positive Children and their Families in Ukraine	194,091	97,630	(274,734)	-	16,987
Pledges at 9th White Tie & Tiara Ball 2007 for Mobile Health Fleet in Lesotho	36,164	-	(36,164)	-	-
Pledges at 10th White Tie & Tiara Ball 2008 for Prevention of Mother to Child Transmission in Cambodia	72,157	-	(72,157)	-	-
Enhancing HIV and OVC programmes with holistic housing solutions	251,546	70,970	(301,569)	-	20,947
Pledges at 12th White Tie and Tiara Ball 2010 for Construction of Nwamitwa Community Centre, Limpopo, South Africa	566,422	-	(279,426)	-	286,996
MAC AIDS Fund: Skillz Street - Changing the Game for Girls, South Africa	33,428	-	(33,428)	-	-
Paediatric Palliative Care in Zambia	-	20,000	(10,000)	-	10,000
Elizabeth Taylor Memorial Fund	-	765,105	-	-	765,105
	2,432,464	1,456,935	(1,650,939)	-	2,238,460

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

14 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 continue to be spent on projects in accordance with the Foundation's charitable objectives, with the specific geographic restriction to the African continent and Eastern Europe.

The Vodafone Group Foundation

The Foundation was awarded a one off grant of £624,264 in 2004 to be spent on HIV/AIDS projects as agreed between The Vodafone Group Foundation and The Elton John AIDS Foundation.

Comic Relief

Phase I

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' aimed at mitigating the impact of HIV/AIDS on orphans and vulnerable children within three provinces of South Africa. The Elton John AIDS Foundation's implementing partner is the AIDS Foundation of South Africa, with a further five community-based organisations engaged in service delivery. To date, 5,738 children received a range of support services to enable them to attend school, access healthcare and receive emotional support. By securing over ZAR2m in annual social welfare payments for orphans and vulnerable children, the programme has mitigated children and households' economic vulnerability and leveraged significantly over the grant sum.

Phase II

A second phase of work began in 2008 with a further award from Comic Relief totalling £696,628 for the next three years. Over this period, the programme's management will undergo a progressive transition from EJAF/ AFSA to the partners (community-based organisations) and a community structure centred around Child Care Forums. Local authorities will take on funding of specific posts and functions for long term sustainability. A further 5,000-6,000 children are projected to directly benefit from this work. ELMA Philanthropies is providing co-funding for the programme.

'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. To date, £1,295,809 has been distributed in accordance with the objectives of the fund, with particular emphasis on those programmes championing women's sexual rights and protecting them from HIV/ AIDS in the face of gender based violence.

Project PEP by Jimmy Choo

Luxury brand retailer Jimmy Choo designed a capsule collection of bags, shoes and accessories specifically to benefit EJAF in its support of Simelela Rape Crisis Centre in South Africa. The Jimmy Choo collection, entitled 'PEP' after the post exposure prophylaxis medication given to rape victims to prevent transmission of HIV, was launched and rolled out to stores worldwide in Nov 2009. 25% of all net sales from the PEP collection will benefit the Foundation. This amounted to £441,144 in 2010.

Elena Franchuk ANTIAIDS Foundation and Victor Pinchuk Foundation

EJAF received a US\$2.5m donation to support a range of programmes within Ukraine in line with the Foundation's country strategy. The Foundation has commissioned contextual analysis into the vulnerabilities and needs of young women infected and at risk of HIV/ AIDS in Ukraine, with a view to identifying programmes that address these needs. A proportion of this fund will support this work. Further work has been undertaken to identify programmes targeting street children, which is also a key strategic focus for the Foundation's work in Ukraine. £721,151 of the fund has been allocated to 'Improving the Lives of HIV-Positive Children and their Families (see below).

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

14 Restricted funds

(continued)

Improving the Lives of HIV-Positive Children and their Families in Ukraine

This restricted award represents a five year collaborative project to deliver support and referral services to children affected by HIV/ AIDS in Ukraine. The programme is funded by the Big Lottery Fund, the Elena Franchuk ANTIAIDS Foundation and Victor Pinchuk Foundation. It is being implemented by the All Ukrainian Network of People Living with HIV/ AIDS at ten centres across the country delivering support and referral services to children infected and affected by HIV/AIDS. The programme will also address stigma and discrimination against such children in 3,000 kindergarten and primary schools and introduce a staged disclosure process for an estimated 1,500 HIV positive children who are unaware of their status. Technical support is provided by the Romanian Angel Appeal.



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

At the 2007 annual White Tie & Tiara Ball, the appeal was made to help fund a Mobile Health Fleet in Lesotho to train health-workers to ride a motorbike and to cover the costs of the bike, fuel and servicing. With an additional £10,000 received in 2008, the implementing partner, Riders for Health will complete their project, 'Sustainable Mobility for Outreach Healthcare Delivery', in Lesotho in 2011.

Pledges at 10th White Tie & Tiara Ball 2008 for Prevention of Mother to Child Transmission of HIV in Cambodia

The annual appeal aims to help secure an HIV/ AIDS free generation in Cambodia. The sums raised have been allocated to the Clinton HIV/AIDS Initiative to help prevent infected mothers passing the disease to their children and to treat the mothers so they themselves survive to raise their families.

Enhancing HIV and OVC programmes with holistic housing solutions

Funds for this grant were raised from auction lots at both White Tie & Tiara Ball 2009 and Amber Lounge 2010. The grant will enable construction or renovation of 320 homes for families infected with HIV/AIDS within their urban, peri-urban and rural communities in Cambodia. Using shelter as an entry point, the programme will link beneficiaries of housing solutions to continued medical and social support and employment training opportunities. An estimated 2,000 people will benefit from this programme, which is implemented by Habitat for Humanity Cambodia.

Pledges at 12th White Tie and Tiara Ball for Construction of Nwamitwa Community Centre, Limpopo, South Africa

The Nwamitwa Community Centre is a replication of the award-winning Etafeni Trust model of holistic support by and for communities infected with HIV. Funds for its construction were raised at the White Tie & Tiara Ball 2010. In one of the highest HIV prevalence areas of Limpopo province, the Centre's programmes will provide a refuge for mothers living with HIV; give them skills, help them to earn an income, provide home based care to those who are sick and support their antiretroviral treatment adherence and ensure they are food secure. AIDS-affected and vulnerable children will be receiving food, educational and emotional support. A life skills and employment programme will be provided for AIDS-affected youth. In total, an estimated 20,000 adults and children will benefit from the range of services.

The Nwamitwa Centre is the second replica of the Etafeni model; previous centres having been established in Nyanga and Vrygrond in Cape Town province, both with support from EJAF.

MAC AIDS Fund: Skillz Street - Changing the Game for Girls, South Africa

Grassroots Soccer (GRS) uses football to empower young women to protect themselves and others from HIV. GRS will implement a new 'Skillz Street' curriculum that is exclusively targeted at girls aged 13-18 in poor townships across South Africa. GRS will train 45 coaches to deliver the Skillz Street programme, building their capacity as community health workers.

Skillz Street combines activities based HIV prevention and life skills with peer-led community outreach activities and HIV testing. The curriculum will also enable girls to challenge the underlying gender norms fuelling the epidemic in South Africa. By integrating HIV Counselling and Testing (HCT) into the programme, GRS will contribute towards the government's objectives of a recently launched campaign, which aims to test more than 15 million South Africans by June 2011.

This fund was developed as part of MAC AIDS Fund's WTT 2010 pledge to support a girl-focused programme in South Africa. MAC has generously provided £100K to support the grant.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

14 Restricted funds

(continued)

Paediatric Palliative Care in Zambia

Funds for this grant will help build the capacity of key medical experts and local adult palliative care partners to create Paediatric Palliative Care (PPC) services in Zambia. It would further establish first PPC facility in Zambia.

Elizabeth Taylor Memorial Fund

In memory of Elizabeth Taylor, EJAF created a fund that will reflect her personal campaigning to ensure that the voices and lives of people living with HIV/AIDS are heard and valued. This fund will, accordingly, support work that explicitly enables people living with HIV/AIDS to exercise self-determination and live with dignity.

15 Designated funds

The income funds of the charity include designated funds comprising the following balances, which are ring-fenced for future use.

	Movement in funds				Balance at 31 December 2011 £
	Balance at 1 January 2011 £	Income received £	Utilised/ transferred £	Fund Transfers £	
Future Grant Commitments	9,069,299	-	(5,109,675)	5,595,387	9,555,011
The Robert Key Memorial Grant	200,000	-	(72,069)	72,069	200,000
	<u>9,269,299</u>	<u>-</u>	<u>(5,181,744)</u>	<u>5,667,456</u>	<u>9,755,011</u>

Future Grant Commitments

This fund consists of contracted grant payments to implementing partners in future years. All amounts included in this designated fund form part of existing programmes.

The Robert Key Memorial Grant

Robert Key MBE co-founded the Elton John AIDS Foundation with Sir Elton John in 1993. He was instrumental in its development and growth as both Executive Director and trustee until his death in October 2009. In his memory, the trustees of the Foundation established a new fund to honour Robert's passion and dedication to advancing the rights and needs of those most marginalised by the AIDS epidemic. The fund is used to support programmes that provide a direct and tangible benefit to those living with HIV/AIDS from marginalised communities and/ or facing exceptionally difficult circumstances.

16 Analysis of group net assets between funds

	Unrestricted fund £	Designated fund £	Restricted fund £	Total £
Tangible fixed assets	10,177	-	-	10,177
Fixed Asset Investments	505,100	-	-	505,100
Current assets	15,186,259	9,755,011	2,238,460	27,179,730
Creditors: amounts falling due within one year	(842,193)	-	-	(842,193)
	<u>14,859,343</u>	<u>9,755,011</u>	<u>2,238,460</u>	<u>26,852,814</u>

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

	2011 £	2010 £
Net movement in funds	182,950	(131,374)
Investment Income receivable	(333,582)	(173,800)
Depreciation of tangible fixed assets	3,821	2,026
Decrease in debtors	237,652	516,232
Increase/ (decrease) in creditors	389,985	(82,730)
	<u>480,826</u>	<u>130,354</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	2011 £	2010 £
Increase/ (decrease) in cash	(4,945,990)	6,672,145
Net funds at 1 January 2011	<u>14,653,777</u>	<u>7,981,632</u>
Net funds at 31 December 2011	<u>9,707,787</u>	14,653,777

19 Analysis of net funds for the group

	2010 £	Cashflow £	2011 £
Cash at bank and in hand	<u>14,653,777</u>	<u>(4,945,990)</u>	<u>9,707,787</u>

20 Contingent liabilities

The Foundation has contracted and committed to £9,555,011 (2010: £9,069,299) of further grants, which are conditional on the performance of the recipient charities. The Designated Fund includes the entire balance to ensure that the Foundation can meet these commitments.

21 Related Party Transactions

The Foundation does not pay rent or service charges on its office space. The leasehold interest is owned by William A Bong Limited of which two directors are trustees of the Foundation. In the opinion of the trustees, the commercial rent and service charge values are not material and, as such, are not recognised in the accounts.

22 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.

	2011 £	2010 £
Contributions payable by the charity for the year	<u>16,876</u>	<u>16,665</u>

23 Revaluation reserve

The Unrestricted Reserves include unrealised gains/ (losses) on investments, which are recognised in a revaluation reserve.

	Balance at 1 January 2011 £	Incoming Resources including gains £	Outgoing Resources including losses £	Transfers £	Balance at 31 December 2011 £
Revaluation reserve	43,300	-	(38,200)	-	5,100
	<u>43,300</u>	<u>-</u>	<u>(38,200)</u>	<u>-</u>	<u>5,100</u>