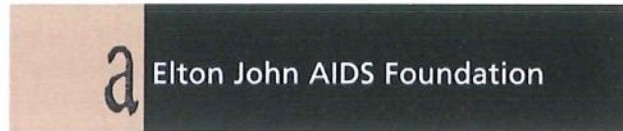


Charity Registration No. 1017336

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 2012

**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

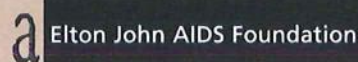
**THE ELTON JOHN AIDS FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

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Directors' Report

For The Year Ended 31 December 2012



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 2012. Since all directors are trustees of the organisation, this report can also be considered as a report of the Trustees, as required by Part 8 of the Charities Act 2011.

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 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	

George Kangis continues to serve as Company Secretary. A new Honorary Treasurer will be appointed in 2013.

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 up to 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, which take place a minimum of twice a 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. The FIC meets a minimum of three times per year.

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 the management of grants, fundraising and finance. The charity also benefits from a Company Secretary, George Kangis. After 10 years of service, the charity's Honorary Treasurer, Nigel Roberts, resigned during the year. Shortlisting and initial review of candidates was undertaken. A successor was proposed to the Board at its AGM on 31 October 2012. 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 Executive Director, who is also a Trustee, is paid for her services to the organisation as permitted by 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, Fundraising 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

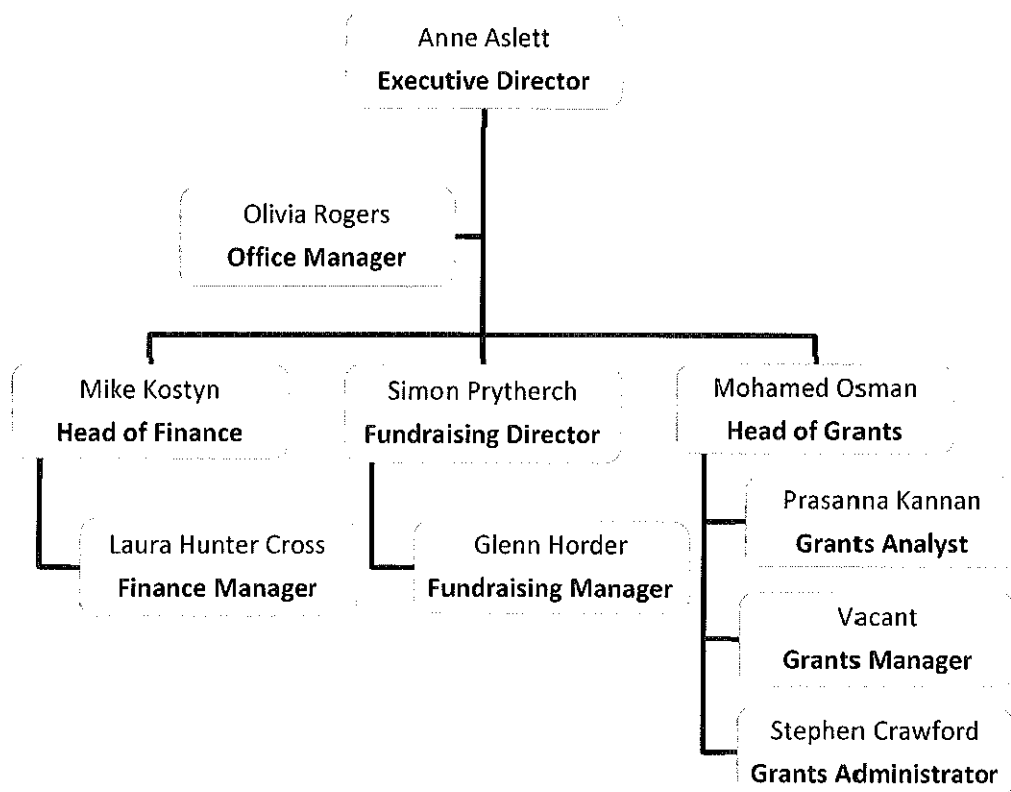
In line with the mission statement, volunteers play a vital part in supporting the fundraising and charitable activities of the Elton John AIDS Foundation. During the year, the Foundation benefited from over 20 volunteers who supported critical fundraising activities, including the White Tie & Tiara Ball (see below). A long standing and highly valued volunteer, John Wright, passed away in 2012. Catherine Fields was inducted as John's permanent replacement for office-based support.

INTERNAL CONTROL

The systems of internal controls 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 outlines the Foundation's relevant policies and procedures.

Following the departure of Babs Evans, the role of Grants Manager has been reviewed and redefined. The post is currently vacant. Recruitment will begin in the first quarter of 2013. As planned, a new post of Grants Analyst was developed and Prasanna Kannan was recruited into the role during 2012.

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 2014.

A review at the end of 2012 indicates that the Foundation is on target to meet or exceed goals, set within the Strategic Plan, by 2014.

An annual day of strategic and financial planning, review of achievements and challenges during the year and future goals for the forthcoming 12 months was undertaken in December 2012.

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.

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 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.*

During 2012, the Board of Trustees reviewed its charitable objects, which were redefined as:

- *“To alleviate the sickness of people living with HIV or the related condition known as AIDS and the emotional suffering of such people and their partners, relatives and/or dependents and to prevent the onward transmission of HIV/AIDS by (amongst other means, but without limitation), providing or assisting in the provision of nursing and medical care, medicines, equipment, facilities and services, counselling, training and information;*
- *To relieve those in financial or other need by reason of the said diseases or conditions, whether they are people infected or their partners, relatives and/or dependents”*

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.

The Foundation has complied with Section 17 of the Charities Act 2011 in respect of Public Benefit.

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;
2. Fundraising activities;
3. Management and governance activities;
4. Communications

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.

In 2012, the Grants Team received 682 requests for support through the concept note process, with a total value of £98m. This is a significant increase from the same period last year, reflecting the accessibility and efficiency of the new grants management system (launched in Oct 2011) which allows organisations to apply online and Trustees to view and vote on assessments for new funding in an efficient and timely way.

Of all funding requests which reached full application stage and were presented to the Trustee Grant Panel, 77% were approved, representing an increase in the success rate of applications – against 74% in 2011 and 68% in 2010. This demonstrates a progressively better ability to identify, develop and fund very high quality programme proposals that are a good fit with the Foundation's strategic priorities.

During 2012, the Foundation disbursed £8.9m to programmes approved by the Grant Panel, reaching over three million people with services. This includes disbursements to the Robert Key Memorial Fund, which supports small grants for the most marginalised HIV-positive individuals with tangible, practical goods and services and to the Elizabeth Taylor Memorial Fund, which supports HIV work that ensures that the voices and lives of people living with HIV/ AIDS are heard and valued.

To ensure all EJAF's investments perform to a very high standard and grantees are adequately supported by the Foundation, specialist consultants are retained in countries with large Foundation portfolios to ensure excellent, timely monitoring of programme performance in the field and early intelligence of any external factors that could have a bearing on those programmes.

At the end of 2012, the live grants portfolio stood at £25.53m operating across 12 countries worldwide. An additional £20m was leveraged during the year from other partners, including Gates Foundation, UNITAID and ELMA Philanthropies, to co-fund work we are supporting.

Field trips were undertaken during the year to current and potential grantees in South Africa, India, Malawi, Kenya and Ukraine as well as within the UK. In June, on the eve of the EURO 2012 football tournament final, the Foundation launched a new collaboration for a countrywide programme with Grassroot Soccer in Ukraine. This programme uses football as an entry point to HIV information, testing and treatment for young people. Various international footballers have lent their support to this work, including Robert Pires and Michael Ballack. The German government's development agency GIZ will partner with the Foundation in this programme, which is also supported by the Elena Pinchuk Anti AIDS Foundation.

In South Africa, the Foundation formed a new collaboration with the Ministry of Health, ELMA Philanthropies and the Clinton HIV/AIDS Initiative (CHAI) to dramatically expand national HIV testing and treatment over the next three years. A programme board has been established for this £5m project, on which Mohamed Osman, as Head of Grants, will represent the Foundation. An estimated 20 million people in South Africa will receive HIV testing as part of this grant.

A series of learning sessions were undertaken with our larger grantees, including Habitat for Humanity, Terrence Higgins Trust, Riders for Health, Partners In Health, the Children's Society and Liverpool VCT to assess progress and impact of recent programmes funded by the Foundation. All staff were invited to these sessions, some of which were also attended by Trustees.

The end of 2011 saw approval of a number of ambitious grants to support HIV information, testing and treatment for men who have sex with men (msm) in Africa and Eastern Europe. This work is particularly challenging as the legal and social environment is extremely hostile to msm. Over 6,500 msm, the largest number in the Foundation's history, have accessed safe, non-discriminatory services through these grants during 2012.

Grant Strategy Review

As the current grants cycle came to a close at the end of 2012, the Executive Director, Head of Grants and Grants Analyst worked with an external consultancy, the Foundation Strategy Group (FSG), to review the Foundation's grant making achievements, its on-going vision, mission, resources and strengths of the charity's funding, and the changing external landscape of HIV and development. As part of this work, FSG undertook a series of structured interviews with Trustees, grantees, peer grant makers and experts in the field. This work will enable the Foundation to develop a new, four year grant making strategy for 2014-2018, to propose to the Board in early 2013.

EJAF International Role & Profile

To supplement the Foundation's grant making activities, increasing emphasis has been given to raising awareness of the need for continued support and political commitment in the fight against HIV/AIDS. This is particularly critical in relation to the Foundation's goal in Africa and Asia.

In addition to participating in key fora including the Global Plan to eliminate PMTCT (Prevention of Mother to Child Transmission), the Coalition of Children Affected by AIDS (CCABA) and Chairing the European Funders Group (EFG) and AIDS Funders Forum (AFF), the Foundation used the International AIDS Conference in Washington DC in July 2012 as an opportunity to raise awareness to a broader global audience of the need for continued commitment.

A number of initiatives designed to focus global attention on HIV/AIDS, and to frame the Foundation's role and commitment at a critical time in the epidemic's history were executed as follows:

Sir Elton John - International AIDS Conference keynote speech - 'No one gets left behind'

This highlighted the need to ensure that those most vulnerable to HIV (drug users, men who have sex with men, prisoners and sex workers) are included, with love and compassion, in the global response. Immediately following Sir Elton's speech, which was attended by an audience of 7,000 and broadcast throughout the conference, its themes were explored by an invited panel, chaired by Dr Luis Loures (Director, Political Affairs & Policy, UNAIDS).

Breakfast forum, Kennedy Caucus Room, Russell Senate Office Building.

The breakfast, which was co-hosted by EJAF and UNAIDS, was designed to convey to a large, bi-partisan audience the message that continued leadership by the US government is essential in the global fight against AIDS. It highlighted the extraordinary achievements of the US government's PEPFAR bill, which has enabled over 4 million people around the world to access lifesaving drugs.

In addition to Sir Elton, speakers at the event included UNAIDS Executive Director Michel Sidibe, Kgalema Motlanthe (Deputy President, South Africa), and Representatives Nita Lowey (D-New York) and Kay Granger (R-Texas) both of whom are members of the Senate & Foreign Relations Committee that reviews PEPFAR re-authorisation. The meeting was very well attended and featured extensively in conference-related news during the week.

EJAF/Global Equality Fund (GEF) dinner

Following meetings in London with GEF to discuss areas of mutual concern such as criminalisation of homosexuality and its role in fuelling hidden HIV epidemics, a dinner was held to highlight these issues and to honour Sir Elton and Secretary Hillary Clinton for their work in this area, through the Foundation and the GEF respectively.

AIDS Memorial Quilt - National Mall

Sir Elton and Foundation Chairman David Furnish visited the installation of the Quilt and took part in reading some of the 94,000 names of people remembered across the Quilt's 48,000 panels.

GRANTS ADMINISTRATION

The cost of administering all grants, which include the selection, monitoring and evaluation of the portfolio, amounted to less than 7% of total disbursements.

FUNDRAISING ACTIVITIES

2012 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 £11.4m in the year, made up of ticket sales, auction income, sponsorship, merchandise, donations and grant awards.

With regards to events, the 14th White Tie & Tiara Ball, held in June 2012, raised a net income in excess of £4.5m, which was accounted for in 2012. This maintains that this Ball remains the largest fundraising event in the EJAF calendar. 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 2012 included the co-hosting of the Winter Ball with Grey Goose Vodka, which raised a record amount of over £700k.

The Foundation continued to benefit from the support and generosity of substantial ongoing sponsor relationships including Chopard, Grey Goose Vodka, OK! Magazine and Audi.

EJAF continued merchandising projects with Chopard. The Foundation raised over £473k from the sale of three gold watches and a new edition of smaller Ladies' watches.

Continuing the theme of fundraising in our project countries, in 2012 EJAF took Elton to Kiev for a fundraising and awareness concert on the eve of the EURO 2012 football tournament final. This was televised throughout Ukraine and Poland and created huge awareness of HIV and also raised £804k for the Foundation.

During 2012, the proportion of income classified as 'Restricted Fundraising income' has risen by 79%, proving that the intention of connecting the projects to the fundraising events has worked very successfully.

In other notable initiatives:

1. EJAF benefitted from final income amounts in 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. This takes the total amount raised by this ongoing project over the past few years to £170K;
3. A number of smaller annual events brought in between £4k and £40k. These included the British Equity Tennis Tournament, the Wig Party, the Attitude Magazine Awards, and Revival at the Roof Gardens.

EJAF continues to maintain and develop its website, www.ejaf.com. During 2012, the new site was launched. The Foundation developed its social media interface to keep supporters up to date about the Foundation's work around the world and how they can get involved and support the charity. In the last months of 2012, EJAF developed a new organisation identity in terms of logo and language, together with a new social media campaign, which will be a key focus of future fundraising.

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 each of the three Grant Panel reviews. Three Trustees and two patrons visited international grants programmes during 2012.

The Finance & Investment Committee (FIC) met four times during the year. The committee formally reviewed the organisation's financial performance and strategy, which included examining the 2011 audited accounts, managing and setting the risk appetite of the Foundation, reviewing the Foundation's reserves policy and reviewing the 2013 budget. The FIC also reviewed potential candidates to replace Nigel Roberts as Hon Treasurer and shortlisted recommendations to the Board.

The Fundraising Development Group, attended by 3 Trustees, met in February and October 2012 to review sources of income, format of fundraising projects and events and reviewing revenue targets and the levels of Trustee and Patron engagement to be sought over the course of the year.

During 2012, in anticipation of the Foundation's 20th anniversary, the Executive Director led the following initiatives:

Identity, Logo and Communications Re-Branding

An agreement of pro-bono support by international advertising agency Mother enabled the Foundation to review its visual and written identity and communications, particularly in light of an increased grant making emphasis on both creating an AIDS free future and ensuring that marginalised populations are not left behind. The passion and commitment of the Foundation's Founder and its Chairman, together with an enormously generous and successful creative input from the Foundation's supporters over its 20 year history, informed the development of a new visual identity, including a new logo (and 20th anniversary logo) and new organisational language designed to reflect our conviction in working towards an AIDS free future. This was approved at the Annual General Meeting on 31 October 2012. The collaboration generated a new social media strategy aimed at combatting stigma to ensure that the response to AIDS avoids marginalisation of any group, hence hastening the end of the epidemic. The new identity will be launched on all Foundation platforms in 2013.

Advocacy Options Paper

AIDS is increasingly absent from policy agendas in both the UK and the US, historically the two most committed countries in terms of bilateral and unilateral funding to fight the disease. An Options Paper was commissioned to review where and how the Foundation might lend its voice and support to efforts that i) ensure AIDS remains a critical policy issue, ii) that funding commitments are met and iii) that most at risk populations (MARPs) are a central focus of the global response.

COMMUNICATIONS

In January, Sir Elton contributed an opinion piece to the Guardian newspaper cautioning against new data exclusivity clauses in the TRIPS (Trade Related Aspects on Intellectual Property Rights) agreement governing production of generic ARV drugs, which account for over 80% of all HIV treatment in sub-Saharan Africa, including many treatment programmes established or expanded with Foundation funding. New petitions on this issue to the European Union by proprietary pharmaceutical companies could destroy the generic drugs industry and rob millions in the developing world of ARV medication. The article also featured in the Guardian online and across thousands of Indian media outlets.

In June, Sir Elton undertook a free public HIV awareness concert in Kiev's Independence Square to an audience of over 350,000. The concert, which also featured a promotional film of Foundation-funded programmes in Ukraine, was broadcast live across all national TV channels to an audience of over 15 million and covered extensively in national and international media. Elton used the occasion to highlight the anti-homosexual '8711' legislation being considered by the Ukrainian parliament and appealed for it to be scrapped. The appeal was complemented by an Elton-authored editorial in the

Guardian newspaper stressing the dangers of such homophobic legislation, particularly for the HIV epidemic. The legislation has subsequently been scrapped.

A field trip to Kiev by Foundation Trustees, donors and sponsors was documented in both a special World AIDS Day film on the Foundation's YouTube channel and with a double page feature in the Independent and i newspapers as well as online press. The visit was also reported very widely in the Ukrainian media. As a result, a special appeal was made to the Ukraine government in relation to the impending closure of the Lavra clinic for HIV patients.

Sir Elton's first ever book, 'Love Is The Cure: On Life, Loss and Ending AIDS', was published in July 2012. The book drew heavily on the Foundation's international work, particularly in Ukraine and South Africa, and is dedicated to the memory of the Foundation's co-founder, Robert Key. Excerpts from the book were serialised in the Mail on Sunday newspaper prior to its publication. Extensive media coverage in the U.S. was complemented by a BBC TV interview with Elton about the book which aired on BBC News at Ten and Radio 4's 'Today' show.

EJAF's Office Manager, Chris Boge, and EJAF's Fundraising Manager, Glenn Horder, posted news updates of grants, project visits and fundraising events on our website attracting approximately 6,000 unique visitors per month and a further 25,000 views of our project films (total views approx. 85,000).

In addition to the activities noted above, there has been extensive national coverage of our fundraising events, including the White Tie & Tiara Ball and the Grey Goose Winter Ball.

The Foundation's new website became fully operational. The website very clearly aligns itself with UNAIDS' goal of Getting to Zero: reducing AIDS-related mortality, reducing new HIV infections and ending the discrimination that allows HIV infection to flourish undetected. All grants are now viewed through this lens and progress against these high level goals is reported across the site, as are organisational achievements such as low overheads. Social media is integrated into the new site, which offers clearer, more compelling ways to learn about and support the Foundation's work.

PLANS FOR FUTURE PERIODS

GRANTS

The Foundation will launch a new, four year grant making strategy in the first quarter of 2013 with in-depth presentations to the sector and potential applicants. Following from FSG's review of achievements, impact and learning in the previous grants cycle, a paper highlighting our achievements and learning will be produced for dissemination during our 20th anniversary. A greater emphasis on systematic learning at programme and portfolio level will be embedded in the grants process.

FINANCE

The Finance team will seek to collaborate closely with both the Fundraising and Grants teams in delivering EJAF's 20th year objectives in 2013. Furthermore, the team will seek to improve the already robust internal controls and financial processes as well ensuring that all avenues for raising funds are made available. This will include supporting Fundraising in establishing and developing online and payroll giving as well as providing further training to the grants team in financial assessment, review and evaluation of grant applications and awards.

COMMUNICATIONS

The Foundation will commemorate its 20th anniversary by activating its new branding and identity on all platforms – website, social media, stationery, organisational presentations, press releases and internal communications in 2013. A social media campaign highlighting this new identity and engaging the general public on the issue of ending discrimination against HIV, a central goal for 2013, will be launched on Valentine's Day.

FUNDRAISING

As 2013 is the 20th anniversary of EJAF, the Foundation is working on specific projects to mark what has and continues to be achieved as well as celebrating EJAF's success.

A key element of this is the implementation of our new identity and language across all materials. The new positioning also informs our fundraising strategy, in particular with regards to seeking to increase partnerships with artist and designers.

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 (including Give As You Earn) 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 also continue its ongoing work in ensuring 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 2013, the Board and its subcommittees will review the targets and commitments for the Grants, Fundraising and Finance groups and set goals for each group. The findings of a skills audit and self-appraisal questionnaire will be circulated amongst the Board and recommendations drawn up for review.

STAFF DEVELOPMENT

EJAF will recruit a Grants Manager in 2013 to support the Head of Grants in managing the Foundation's substantial portfolio, with particular emphasis on achieving maximum impact with funds given, leveraging additional resources and developing a clear, sustainable strategy beyond the lifetime of the Foundation's support. Along with the Grants Analyst, the Grants Manager will work with grantees to ensure decisions regarding programme management are based on sound evidence and data.

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 2013.

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 £1.1m being reported in 2012. Income increased to £12.0m, consolidating and expanding the Foundation's supporter base within the continuing challenging economic environment. Investment income rose by 60% even though the Bank of England base rate remained at a historic low throughout the year.

INCOMING RESOURCES

Total consolidated income increased by 15% to £12.0m (2011: £10.4m) including £7.5m from voluntary sources (2011: £5.8m), £3.9m from the trading subsidiary (2011: £4.2m) and £553k from investments (2011: £334k).

CHARITABLE EXPENDITURE

Consolidated Charitable Expenditure increased by 10% to £9.52m (2011: £8.63m). 94% of this total constitutes direct awards to implementing partners in the 12 countries, in which EJAF is active. Total Charitable Expenditure for the charity constitutes 96.7% of total resources spent by the charity and 87.4% with respect to the consolidated figures.

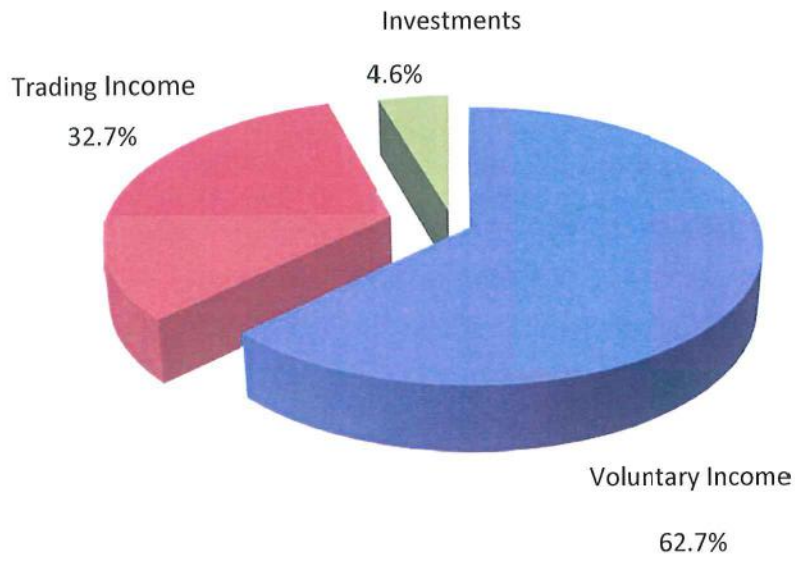
GOVERNANCE AND ADMINISTRATION

The consolidated total governance costs fell by 13.6% in 2012. The £52.6k spent on administering the charity (2011: £59.9k) represents 0.4% of total consolidated income and 0.5% of total consolidated resources expended (0.5% with respect to the charity alone).

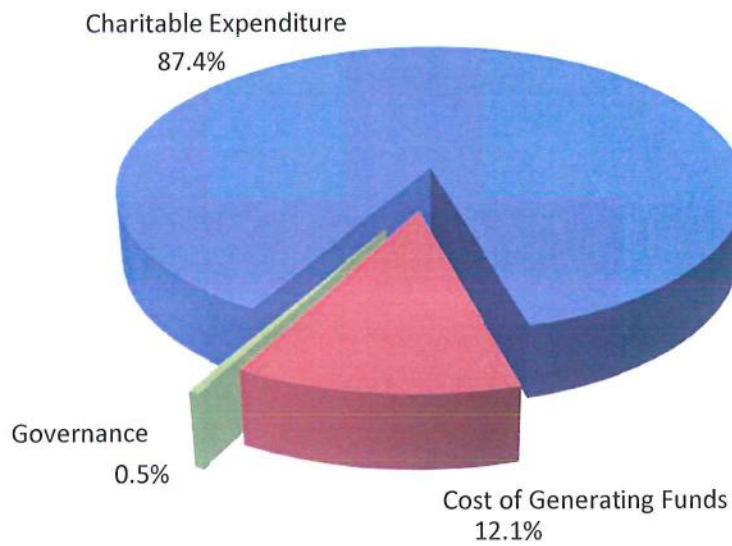
FUNDRAISING

Consolidated voluntary income from individual givers and donors increased to £7.5m (2011: £5.8m), an increase of 28.7%. Trading income decreased to £3.9m (2011: £4.2m), a fall of 6.5%. Combining these figures, income from fundraising activities amounted to £11.4m (2011: £10.0m), an overall increase of 14.0%. The cost of raising these funds fell, from £1.49m to £1.32m, or 11.2%. This constitutes 11.6% of total consolidated fundraising income or a fundraising income to expenditure ratio of over 8.6:1.

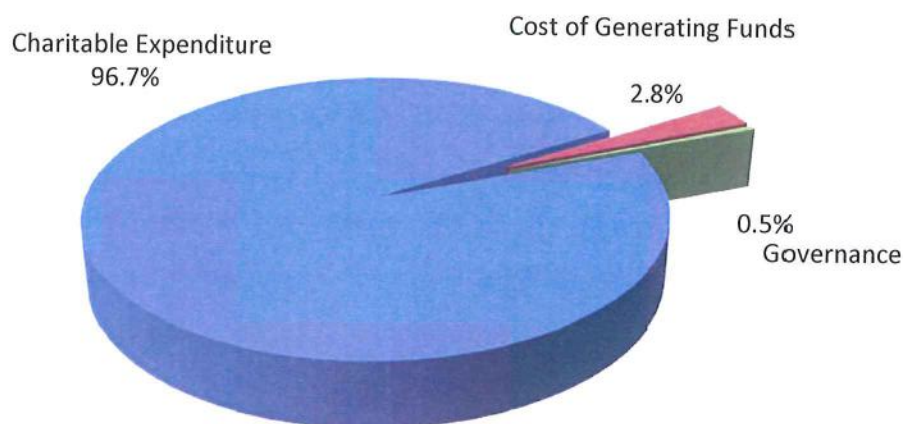
INCOMING RESOURCES (CONSOLIDATED)



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 2012.

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 2012, 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.

RESERVES

EJAF's total funds as at 31 December 2012 are £27.9m (2011: 26.9m) of which £3.2m are classified as restricted funds (2011: £2.2m) and £8.7m as designated funds (2011: £9.8m).

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 2012, £8.7m 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 2012 is £16.1m as a result of an unrestricted surplus in the year of £1.2m after transfers and unrealised losses.

During 2012, 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

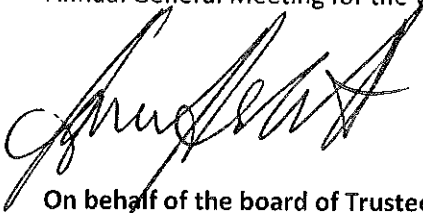
The Trustees are responsible for the maintenance and integrity of the financial information included on the Charity website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation on other jurisdictions.

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 Bourner Bullock as the Foundation's auditors will be proposed at the Annual General Meeting for the year ended 31 December 2012.



On behalf of the board of Trustees
Anne Aslett (Executive Director)

Trustee

Dated: 17.9.13

**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 2012, which comprise the Group Statement of Financial Activities, 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.

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 financial and non-financial information in the Trustee's report to identify material inconsistencies with the audited 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 2012 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 'D Matkins'.

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

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

25 September 2013

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING THE INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	Unrestricted funds £	Designated funds £	Restricted funds £	Total 2012 £	Total 2011 £
Incoming resources						
Voluntary income	2	3,013,027	-	4,501,482	7,514,509	5,840,441
Trading income	3	3,659,387	-	259,990	3,919,377	4,189,805
Investment income	4	550,811	-	2,053	552,864	333,582
Other incoming resources	5	865	-	-	865	774
Total incoming resources		7,224,090	-	4,763,525	11,987,615	10,364,602
Resources expended						
Costs of generating funds						
Costs of generating voluntary income	6	8,175	-	-	8,175	(10,428)
Trading expenses	6	1,029,358	-	-	1,029,358	1,172,896
Direct Fundraising Expenditure	6	284,409	-	-	284,409	326,058
Charitable activities						
Grants made	6	5,166,532	19,860	3,713,139	8,899,531	8,236,550
Grants' costs	6	481,835	-	134,893	616,728	396,687
Governance costs	6	52,634	-	-	52,634	59,889
Total resources expended		7,022,943	19,860	3,848,032	10,890,835	10,181,652
Net incoming resources before transfers		201,147	(19,860)	915,493	1,096,780	182,950
Gross transfers between funds	7	1,043,338	(1,043,338)	-	-	-
Net incoming resources after transfers		1,244,485	(1,063,198)	915,493	1,096,780	182,950
Other recognised gains and losses						
Unrealised loss on investments	22	(5,100)	-	-	(5,100)	(38,200)
Net income/ expenditure for the year		1,239,385	(1,063,198)	915,493	1,091,680	144,750
Unrealised gains in the year	22	-	-	-	-	-
Net movement in funds		1,239,385	(1,063,198)	915,493	1,091,680	144,750
Fund balances at 1 January 2012		14,859,343	9,755,011	2,238,460	26,852,814	26,708,064
Fund balances at 31 December 2012		16,098,728	8,691,813	3,153,953	27,944,494	26,852,814

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



**CONSOLIDATED AND CHARITY BALANCE SHEETS
AS AT 31 DECEMBER 2012**

	Notes	Group		Charity	
		2012 £	2011 £	2012 £	2011 £
Fixed assets					
Tangible assets	10	6,804	10,177	2,868	5,735
Investments	12	-	505,100	1	505,101
		<u>6,804</u>	<u>515,277</u>	<u>2,869</u>	<u>510,836</u>
Current assets					
Debtors	11	845,821	903,079	1,376,489	1,088,343
Investments	12	21,083,559	16,568,864	21,083,559	16,568,864
Cash at bank and in hand	18, 19	7,607,848	9,707,787	7,072,525	9,201,744
		<u>29,537,228</u>	<u>27,179,730</u>	<u>29,532,573</u>	<u>26,858,951</u>
Creditors: amounts falling due within one year	13	(1,599,538)	(842,193)	(1,590,948)	(516,973)
Net current assets		<u>27,937,690</u>	<u>26,337,537</u>	<u>27,941,625</u>	<u>26,341,978</u>
Total assets less current liabilities		<u>27,944,494</u>	<u>26,852,814</u>	<u>27,944,494</u>	<u>26,852,814</u>
Represented by:					
Unrestricted funds	16	16,098,728	14,859,343	16,098,728	14,859,343
Designated Funds	15	8,691,813	9,755,011	8,691,813	9,755,011
Total Unrestricted Funds		<u>24,790,541</u>	<u>24,614,354</u>	<u>24,790,541</u>	<u>24,614,354</u>
Restricted funds	14	3,153,953	2,238,460	3,153,953	2,238,460
		<u>27,944,494</u>	<u>26,852,814</u>	<u>27,944,494</u>	<u>26,852,814</u>

The accounts were approved by the Board on 17.9.13

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012		2011	
		£	£	£	£
Net cash inflow from operating activities	17		1,464,490		480,826
Return on investments and servicing of finance					
Investment Income received		450,266		226,193	
Net cash inflow for returns on investments and servicing of finance			450,266		226,193
Capital expenditure and financial investment					
Payment to acquire tangible fixed assets		-		(8,601)	
Payment to acquire current asset investments		(19,000,000)		(14,068,866)	
Proceeds on sale of current asset investments		14,985,305		8,424,458	
Net cash inflow/(outflow) for capital expenditure			(4,014,695)		(5,653,009)
Increase/ (Decrease) in cash	18		(2,099,939)		(4,945,990)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

The financial statements have been prepared on an historical cost basis modified by the revaluation of certain non-current assets 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 Section 408 of the Companies Act 2006.

The net income of The Elton John AIDS Foundation for 2012 is £10,958,257 (2011: £9,191,706) These amounts include Gift Aid received from EJAF Trading Limited for 2012 of £2,866,648 (2011: £2,958,118) which have been eliminated on consolidation.

1.2 Incoming resources

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

1.3 Gifts in Kind

Donated assets are included in incoming resources when legally transferred to the charity. The value attributed to the transfer is that which a willing buyer would have been prepared to pay for the assets.

1.4 Resources expended

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

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. The capitalisation policy for the group is set at £1,000. 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
-------------------------	----------------------------

1.6 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).

1.7 Pensions

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

1.8 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.

1.9 Grant Commitments

Any grants due to have been paid in 2012 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 2013. This treatment is consistent with the previous

1.10 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.

1.11 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.

2 Voluntary income

	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Donations and gifts	3,013,027	4,501,482	7,514,509	5,840,441

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:

	2012 £	2011 £
Turnover	3,919,377	4,189,805
Cost of sales	(1,029,358)	(1,172,896)
Administrative expenses	(25,525)	(60,666)
Interest receivable	2,195	2,216
Net profit	2,866,689	2,958,459
Amount gifted to the charity	(2,866,689)	(2,958,459)
Retained in the subsidiary	-	-

The assets and liabilities of the subsidiary were:

Tangible assets	3,895	4,442
Current assets	1,039,829	998,232
Creditors: amounts falling due within one year	(1,043,723)	(1,002,673)
Total net assets	1	1
Aggregate share capital and reserves	1	1

Cost of sales and administrative expenses includes auditors' remuneration of £7,500 (2011: £7,250)

4 Investment income

	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Interest receivable	550,811	2,053	552,864	333,582

5 Other incoming resources

Other incoming resources of £865 (2011: £774) were receivable in 2012 relating to interest on gift aid claimed.

6 Total resources expended

	Staff costs £	Depreciation £	Other costs £	Total 2012 £	Total 2011 £
Costs of generating funds					
Management and admin costs	-	1,422	6,753	8,175	(10,428)
Trading expenses	-	-	1,029,358	1,029,358	1,172,896
Fundraising costs	221,657	-	62,752	284,409	326,058
Charitable activities					
Grants costs	346,488	1,888	268,352	616,728	396,687
Grants made					
Restricted	-	-	3,713,139	3,713,139	1,648,748
Unrestricted	-	-	5,166,532	5,166,532	6,515,733
Designated	-	-	19,860	19,860	72,069
Governance costs	32,384	63	20,187	52,634	59,889
	600,529	3,373	10,286,933	10,890,835	10,181,652

Governance costs include audit fees of £4,500 (2011: £8,100) for The Elton John AIDS Foundation. Included within the costs is £24,976 relating to realised foreign exchange losses (2011: gains of 57,463). Staff costs are allocated based on time apportionment. All grants disbursed in 2012 were made to institutions.

7 Gross transfers between funds

At 1 January 2012, the Foundation held designated funds of £9,755,011 relating to future grant payments. During 2012, £5,260,473 of this was utilised via disbursements to project partners and grant adjustments. An additional £4,197,275 has been designated in 2012.

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 (£19,860) 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. In the year only one trustee was paid remuneration during the year, with the total, including national insurance, pension and healthcare, being £147,155 (2011: £132,378), 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 £5,569 (2011: £5,535) for trustees indemnity insurance to indemnify the trustees and other officers against the consequences of any neglect or default on their part.

During the year the charity paid £12,804 (2011: £2,175) to defined contribution pension schemes in respect of Anne Aslett.

9 Employees

	2012 £	2011 £
Employment costs		
Wages and salaries	485,209	510,529
Social security costs	61,030	62,928
Other pension costs	27,600	16,876
Other employment costs	26,690	13,244
	600,529	603,577

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

	2012 Number	2011 Number
<u>General management function</u>		
£60,000 - £69,999	3	3
£100,000 - £110,000	-	-
£110,000 - £120,000	1	1
	4	4

Contributions totalling £24,861 (2011: £27,003) 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:

	2012 Number	2011 Number
General management function	8	8

10 Tangible fixed assets - group and charity

	Furniture and equipment £	Charity total £	Subsidiary Furniture and equipment	Group Total £
Cost				
At 1 January 2012	92,040	92,040	14,812	106,852
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2012	92,040	92,040	14,812	106,852
Depreciation				
At 1 January 2012	86,305	86,305	10,370	96,675
Charge for the year	2,867	2,867	506	3,373
On disposals	-	-	-	-
At 31 December 2012	89,172	89,172	10,876	100,048
Net book value				
At 31 December 2012	2,868	2,868	3,936	6,804
At 31 December 2011	5,735	5,735	4,442	10,177

11 Debtors

	Group 2012 £	2011 £	Charity 2012 £	2011 £
Trade debtors	38,714	978	10,036	-
Other debtors	41,094	41,761	40,374	41,761
Amounts owed by group undertakings	-	-	1,035,173	677,453
Prepayments and accrued income	766,013	860,340	290,906	369,129
	845,821	903,079	1,376,489	1,088,343

12 Investments

	Group 2012 £	2011 £	Charity 2012 £	2011 £
Market Value at 1 January 2012	17,073,964	11,467,756	17,073,965	11,467,757
Additions to Investments at Cost	19,000,000	14,068,866	19,000,000	14,068,866
Disposal of Investments at Cost	(14,985,305)	(8,424,458)	(14,985,305)	(8,424,458)
Net gain/ (loss) on revaluation	(5,100)	(38,200)	(5,100)	(38,200)
Market Value at 31 December 2012	21,083,559	17,073,964	21,083,560	17,073,965

£21,083,559 (both Group and Charity) relates to current investments and £1 (Charity) relates to fixed asset investments.

Of the 2011 total, £16,568,684 (both Group and Charity) relates to current investments and £505,101 (Charity) relates 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 %
Nationwide Building Society (Notice Account)	5,000,000	23.7%
Alliance & Leicester (Fixed Rate Bond)	6,500,000	30.8%
Lloyds TSB (Fixed Rate Bond)	2,500,000	11.9%
Britannia Building Society (Notice Account)	2,083,559	9.9%
Scottish Widows (Notice Account)	5,000,000	23.7%
	21,083,559	100.0%

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

13 Creditors: amounts falling due within one year

	Group		Charity	
	2012 £	2011 £	2012 £	2011 £
Trade creditors	1,528,573	456,056	1,528,147	454,746
Taxes and social security costs	27,923	38,897	27,923	38,897
Other Creditors	450	2,802	-	2,802
Accruals and deferred income	42,592	344,438	34,878	20,528
	1,599,538	842,193	1,590,948	516,973

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:

	Movement in funds				Balance at 31 December 2012 £
	Balance at 1 January 2012 £	Income received £	Utilised £	Fund Transfers £	
The Vodafone Group Foundation	139,798	-	-	-	139,798
Comic Relief	-	625,000	(625,000)	-	-
"4 Inches" / Jimmy Choo / Cartier	74,900	-	(74,900)	-	-
Project PEP by Jimmy Choo	80,526	-	(80,526)	-	-
Elena Franchuk ANTIAIDS Foundation and Victor Pinchuk Foundation	843,201	-	(84,510)	-	758,691
Improving the Lives of HIV-positive Children and their Families in Ukraine	16,987	85,804	(83,793)	-	18,998
Enhancing HIV and OVC programmes with holistic housing solutions	20,947	-	(20,947)	-	-
Construction of Nwamitwa Community Centre, Limpopo, South Africa	286,996	-	(81,708)	-	205,288
Paediatric Palliative Care in Zambia	10,000	-	(5,541)	-	4,459
Elizabeth Taylor Memorial Fund	765,105	330,000	(566,170)	-	528,935
Funders' Collaborative For Children	-	2,009,210	(1,251,109)	-	758,101
Improving retention of survivors of sexual violence in PEP care services in Kenya	-	345,873	(313,664)	-	32,209
Ukraine Street Children	-	562,800	(111,756)	-	451,044
Fair Play - Tackling HIV in Ukraine	-	804,738	(548,408)	-	256,330
Red Badges - Tanzania	-	100	-	-	100
	2,238,460	4,763,525	(3,848,032)	-	3,153,953

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 - Tanzania

"Familia Salama" (Healthy Families) aims to reduce the number of infants born with HIV by strengthening the demand for health services by pregnant women and testing an alternative PMTCT drug regimen.

'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 USD\$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).

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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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 enabled 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.

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.

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.

14 Restricted funds

(continued)

Elizabeth Taylor Memorial Fund

In memory of Elizabeth Taylor, a fund was created that reflected 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.

Funders' Collaborative For Children

In January 2012 EJAF assumed overall management responsibility of the Funders Collaborative for Children (FCFC) Portfolio in Malawi. The goal of the FCFC (consortium-funded) is to improve the lives of 65% vulnerable children in Salima Malawi across four domains; education, health, livelihood and social welfare. The programme aims to 'surround the child' by providing a package of high quality interventions that constitute the continuum of care for the child, family and the community.

Improving retention of survivors of sexual violence in PEP care services in Kenya

This project aims to improve HIV, sexual reproductive health and psychosocial outcomes of survivors of sexual violence by improving the quality of post rape care, raising completion rates of HIV post-exposure prophylaxis (PEP) through enhanced counselling and piloting a community follow-up scheme to monitor the impact of these interventions over the medium term, on HIV and health outcomes of survivors. This grant will target 16 health facilities within high HIV prevalence areas, boosting the short-term standard of care for rape survivors, testing new ways to ensure that the terrible trauma of rape is not worsened by HIV acquisition and linking rape survivors, both HIV negative and positive, with the resources necessary to help them recover and heal.

Ukraine Street Children

This project aims to improve the lives of vulnerable and hard to reach girls and young women in Ukraine who are affected by HIV, homelessness and instability. The project will establish two halfway houses in Kyiv and Donetsk for street girls and their young children. It will also strengthen existing services, build provider capacity and seek the sustainability and replicability of these models.

Fair Play - Tackling HIV in Ukraine

In partnership with the Ukrainian government, local NGOs, international agencies, and the Ukrainian Football Federation the project seeks to develop an initiative to use football to break the silence around HIV in Ukraine. This project aims to encourage young people to think and speak critically about their health and future, ensure they have the information and support that they need in order to protect themselves, and inspire them to create an AIDS free generation.

Red Badges - Tanzania

In Tanzania, some primary school students are forced to wear red badges sewn on their uniform denoting their HIV positive status. This project works with teachers and families to remove these badges.

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 2012 £
	Balance at 1 January 2012 £	Income received £	Utilised/ transferred £	Fund Transfers £	
Future Grant Commitments	9,555,011	-	(5,260,473)	4,197,275	8,491,813
The Robert Key Memorial Grant	200,000	-	(19,860)	19,860	200,000
	<u>9,755,011</u>	<u>-</u>	<u>(5,280,333)</u>	<u>4,217,135</u>	<u>8,691,813</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	6,804	-	-	6,804
Fixed Asset Investments	-	-	-	-
Current assets	17,691,462	8,691,813	3,153,953	29,537,228
Creditors: amounts falling due within one year	(1,599,538)	-	-	(1,599,538)
	<u>16,098,728</u>	<u>8,691,813</u>	<u>3,153,953</u>	<u>27,944,494</u>

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

	2012 £	2011 £
Net movement in funds	1,096,780	182,950
Investment Income receivable	(552,864)	(333,582)
Depreciation of tangible fixed assets	3,373	3,821
Decrease in debtors	159,856	237,652
Increase in creditors	757,345	389,985
	<u>1,464,490</u>	<u>480,826</u>

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

	2012 £	2011 £
Increase/ (Decrease) in cash	(2,099,939)	(4,945,990)
Net funds at 1 January 2012	<u>9,707,787</u>	<u>14,653,777</u>
Net funds at 31 December 2012	<u>7,607,848</u>	<u>9,707,787</u>

19 Analysis of net funds for the group

	2011 £	Cashflow £	2012 £
Cash at bank and in hand	<u>9,707,787</u>	<u>(2,099,939)</u>	<u>7,607,848</u>

20 Contingent liabilities

The Foundation has contracted £8,491,813 (2011: £9,555,011) 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 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.

	2012 £	2011 £
Contributions payable by the charity for the year	<u>27,600</u>	<u>16,876</u>

22 Revaluation reserve

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

	Balance at 1 January 2012 £	Incoming Resources including gains £	Outgoing Resources including losses £	Transfers £	Balance at 31 December 2012 £
Revaluation reserve	5,100	-	(5,100)	-	-
	<u>5,100</u>	<u>-</u>	<u>(5,100)</u>	<u>-</u>	<u>-</u>