

THE NAKED HEART FOUNDATION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 30 JUNE 2010

Registered Charity Number: 1122345
Registered Company Number: 6293334

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**THE NAKED HEART FOUNDATION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

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THE NAKED HEART FOUNDATION

REFERENCE AND ADMINISTRATIVE INFORMATION

TRUSTEES

Ms Natalia Vodianova – President
The Honourable Justin Portman
Mr Francois Chateau
Mr Jamey Hargreaves
Ms Lucy Yeomans

EXECUTIVE DIRECTOR

Ms Amy Bramley

REGISTERED CHARITY NUMBER

1122345

REGISTERED COMPANY NUMBER

6293334

REGISTERED ADDRESS

The Naked Heart Foundation
C/o Salans, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ

POSTAL ADDRESS

The Naked Heart Foundation
PO Box 67106, London SW11 9DP

AUDITORS

haysmacintyre,
Fairfax House, 15 Fulwood Place, London WC1V 6AY

ADMINISTRATORS AND BANKERS

SG Hambros Trust Company Limited,
Norfolk House, 31 St James's Square, London SW1Y 4JJ

SOLICITORS

Salans, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ

WEBSITE

www.nakedheart.org

THE NAKED HEART FOUNDATION

TRUSTEES' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

The Trustees, who are also directors of the Foundation for the purposes of the Companies Act, present their annual report and audited financial statements of the charity for the year to 30 June 2010. The financial statements have been prepared under the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", (SORP 2005), and the accounting policies set out on page 10. The financial statements comply with all other statutory requirements and the requirements of the Foundation's governing document.

STRUCTURE, GOVERNANCE AND MANAGEMENT

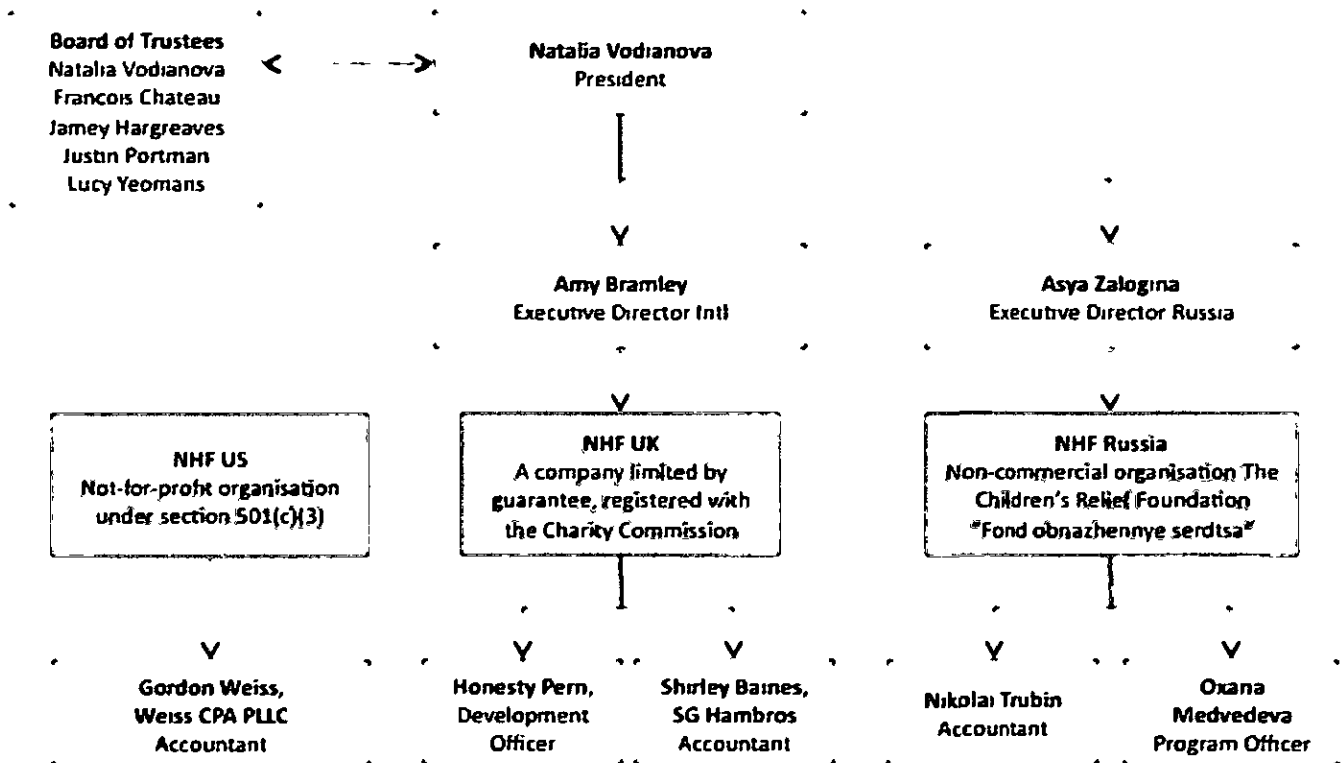
Constitution

The Naked Heart Foundation is a charitable company limited by guarantee without a share capital incorporated on 26 June 2007. The company is governed by a memorandum and articles of association. On 16 January 2008 the Foundation was registered with the UK Charity Commission.

Organisation

The Executive Director of the charity manages the day-to-day operations of the charity, liaising with the grant recipient charity, The Children's Relief Foundation "Fond obnazhennyserdtsa", in the Russian Federation and the US organisation The Naked Heart Foundation, a not-for-profit organisation under section 501(c)(3) of the US Internal Revenue Code. The Trustees meet during the year to discuss developments in the charity and agree policy and strategy. In addition, the trustees receive quarterly activity reports, which they then discuss, feeding back any concerns or questions to the Executive Director for clarification. The administration of the charity is carried out by SG Hambros Trust Company Limited.

Organisation Chart



THE NAKED HEART FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2010

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Appointment of Trustees

Trustees are appointed by existing Trustees after reviewing the skills required at board level and the suitability of proposed candidates. New Trustees are given copies of the Memorandum and Articles of Association, and documents explaining the Foundation's history and its key policies and procedures. In addition all new Trustees are given guidance material published by the Charity Commission on the responsibilities of being a trustee. The Trustees are kept informed about the Foundation and relevant developments in the charity sector when appropriate.

The Trustees at the date of this report are shown in the reference and administration section on page 1. Ms Lucy Yeomans was approved as a trustee on 15 December 2009.

Appointment of Development Officer

A new member of staff was hired by the trustees and the Executive Director International in January 2010 to assist with the growing number of fundraising activities held throughout the year. Honesty Pern is a graduate of Cambridge University with a degree in Russian and German and one year's voluntary experience at a non-profit orphans' camp outside Moscow.

Associated organisations

The charity works closely with The Children's Relief Foundation "Fond obnazhennyserdtsa", a non-commercial organisation in the Russian Federation, which is discussed in more detail below, and also The Naked Heart Foundation, a sister not-for-profit organisation incorporated in New York. The accounts of both partner organisations are audited on an annual basis.

Risk Management

A full risk management review was carried out in 2009 and presented to the December 2009 trustee meeting. The trustees were satisfied that appropriate actions are being taken to mitigate the key risks facing the charity.

Trustee Liability Insurance

The trustees opted for an extension of their trustee liability insurance, to provide an indemnity limit of £2 million and, in addition, professional and legal liability insurance with a limit of £1 million. The cost of this to the Foundation was £3,200 as compared with the budgeted £1,800 but all were agreed that the additional cover is sensible considering the Foundation's rapid growth and increased publicity over the previous eighteen months.

OBJECTS AND ACTIVITIES

Objects

At the December 2009 trustee meeting, the trustees agreed to amend the Foundation's objects to allow the Foundation to work in countries other than the Russian Federation. Other than this geographic amendment, the Foundation's objects remain unchanged. They are to advance in life and provide assistance to financially needy and underprivileged children through

- The provision of recreational and leisure time activities provided in the interest of social welfare, designed to improve their conditions of life,
- Providing support and activities which develop their skills, capacities and capabilities to enable them to participate in society as mature and responsible individuals,
- Providing financial assistance to help with the medical and hospital care of such children;
- Making distributions to entities that are organised and operated exclusively for charitable purposes and which further the afore-mentioned objects.

The trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to the Charity Commission's general guidance on public benefit.

The trustees have referred to the guidance in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees have considered how planned activities will contribute to the aims and objectives they have set.

Grant-making policies and procedures

The trustee's current focus is to provide play facilities that are sustainable. For this purpose The Foundation makes grants to a specialist non-commercial organisation in the Russian Federation, The Children's Relief Foundation "Fond

THE NAKED HEART FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2010

Grant-making policies and procedures (continued)

obnazhnyeserdtsa", which partners with local government to construct safe play areas with 24-hour surveillance. Projects are usually championed by a local authority and/or other social body that has identified a need for play facilities for which it does not have sufficient funds. The aforementioned Russian non-commercial organisation works to obtain co-funding from local partners as well as a commitment to provide for ongoing 24-hour security and upkeep. The trustees will also consider making grants to other charitable organisations that work towards its objects. The Foundation will not fund individuals directly. The Foundation is not permitted to fund political parties, political lobbying or non-charitable activities.

ACHIEVEMENTS AND PERFORMANCE

2009 and 2010 have been challenging and important years for the development of the Naked Heart Foundation. In 2009, the Foundation struggled to raise sponsorship for its second "Love Ball" fundraiser, which it hoped to hold in Moscow, like the previous event which was held in February 2008. Eventually, with the newfound support of Lucy Yeomans, the Editor of Harpers Bazaar UK, the Foundation raised sufficient sponsorship to proceed with the event in February 2010.

The Love Ball London at the Roundhouse in Camden Town was a huge success financially, netting the Foundation £947,396 in revenues from ticket sales and auction lots after all event costs were paid and all monies received. Although this is less than the almost \$5million raised at the Moscow event in 2008, considering the economic climate the Trustees were very pleased with the amount raised and also with the feedback from guests and press surrounding the event, which was very positive.

During the financial year the UK Foundation made 12 grants totalling £1,277,430 towards the programme costs of the Russian Foundation.

Play parks and playgrounds 2009 to 2010

The above grants funded the construction of 7 play parks and 9 playgrounds in the summer of 2009 and 6 play parks and 9 playgrounds in the summer of 2010 (as detailed in the table below), as well as funding the overheads of the Russian Foundation from July 2009 to June 2010. In addition, as approved by the Trustees in December 2009, the Foundation will be co-funding 3 playgrounds in the UK, in Liverpool, London and Glasgow, in 2010 and 2011. Please see "Future Plans" for further details.

| Summer 2010 | | Summer 2009 | |
|--|--|--|---|
| Play parks | Playgrounds | Play parks | Playgrounds |
| <ul style="list-style-type: none"> • Moscow • Kemerovo • Nizhnaya Salda • Novoshaktinsk • Tikhvn • Ukhta | <ul style="list-style-type: none"> • Ekaterinburg (x3) • Arzamas • Nizhny Novgorod • Dzerzhinsk • Bezhetsk • Moscow • Olkhon Island | <ul style="list-style-type: none"> • Pokachi • Kondopoga • Ivanovo • Ulan-Ude • Busk • Beslan • Kingisepp | <ul style="list-style-type: none"> • Arzamas • Nizhny Novgorod • Fryazino • Moscow • Troitsk • Izhevsk (x2) • Chelyabinsk • Novokuibishevsk |

FUTURE PLANS

In conjunction with the US Naked Heart Foundation and the Russian non-profit organisation, The Children's Relief Foundation "Fond obnazhnyeserdtsa", the charity will continue to fund the construction of play parks and playgrounds throughout Russia in urban areas where there is a clear need for secure play facilities for local children.

Expansion of the Foundation's Objects and Activities

With its objects now amended to allow the Foundation to pursue its mission in territories other than the Russian Federation, in 2010/2011 the Foundation will be co-funding three playgrounds in the United Kingdom. All three UK locations have now been confirmed, with initial grants made in December 2010. In London and Liverpool, the Naked Heart Foundation will be making grants via a partner non-governmental organisation called Groundwork UK, whose mission is to regenerate urban areas in the UK. Groundwork has helped the Foundation identify appropriate sites at Barnfield Estate in London and in the Dingle district of Liverpool.

THE NAKED HEART FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2010

FUTURE PLANS (continued)

In Glasgow, the Foundation is supporting the Cambuslang Park Project, outside central Glasgow in the Lanarkshire district. At this location, the Foundation's grant will go specifically towards play equipment for children with special needs.

At the last trustee meeting held in October 2010 in Moscow, the trustees approved the expansion of the Foundation's activities to incorporate grants to non-governmental organisations in the Russian Federation working with underprivileged children. At the trustees' request, the Foundations' team is currently exploring non-governmental organisations with a particular focus on children with special needs.

HR Changes

The Executive Director International resigned in October 2010 and the search for a new Executive Director International began immediately, with a new Executive Director International appointed in January 2011.

The Naked Heart Foundation's Five Year Anniversary Ball, Moscow, March 2011

Held in partnership with Harper's Bazaar Russia, the Moscow event is being held at the old Krasny Oktyabr (Red October) chocolate factory in central Moscow. 450 guests will attend a sit-down dinner with an auction of art works especially donated to the Foundation for the purpose. Contributing artists include Dinos Chapman, Peter Blake, Gosha Ostretsov and Pavel Pepperstein.

Semi-Marathon de Paris (6 March 2011)

Natalia will be running the semi-marathon to raise money for and awareness of the NHF. She will be joined by approximately 50 independent runners who are also raising money for the Foundation, mainly through www.justgiving.com. Last year's semi-marathon raised approximately 40,000 euros, including £10,891 for the UK Foundation.

The Love Ball, Paris (July 2011)

The event will bring 40 top designers together to create a fashion show of unique couture dresses on the theme of "Fairytale" in Paris. The dresses from the fashion show will be auctioned off on the night to raise money for the NHF, with the auction being managed pro-bono by Christie's using silent bidding technology. The evening will be in the format of a sit-down dinner, attended by approximately 400 guests, including international celebrities from the fashion, music and film world, and top Russian personalities and business people.

FINANCIAL REVIEW

The year to 30 June 2010 produced income of £1,444,923 generated principally from fundraising activities for the Foundation. As mentioned above, £1,277,430 was spent on grants to the Russian Foundation. Other expenditure consisted of fundraising and administrative costs. The results for the year to 30 June 2010 show net outgoing resources of £375,353 resulting in funds carried forward of £156,496.

Reserves policy

The trustees consider that apart from £25,000 to cover core costs for approximately six months, the reserves are available to meet the charitable objectives of the Foundation.

THE NAKED HEART FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2010

TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of the charity for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to

- Select suitable accounting policies and then apply them consistently,
- Observe the methods and principles in the Charities SORP,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time of the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as we are aware

- There is no relevant audit information of which the charitable company's auditor is unaware, and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

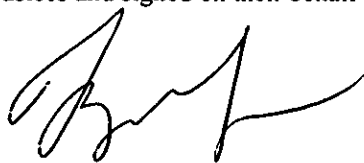
AUDITORS

A resolution proposing the re-appointment of Haysmacintyre as auditors of the charity will be placed before the charity's Trustees

Approved by the Trustees and signed on their behalf by

Trustee

23 March 2011



N. Vodianova

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

THE NAKED HEART FOUNDATION

We have audited the financial statements of The Naked Heart Foundation for the year ended 30 June 2010 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The Trustees, who are also the directors of the company for the purposes of company law, are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view as set out in the Statement of Trustees' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with those financial statements. In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

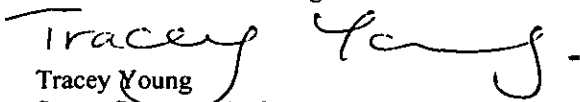
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 30 June 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Trustees' Report is consistent with the financial statements.


Tracey Young
Senior Statutory Auditor
for and on behalf of haysmacintyre,
Statutory Auditors

23 March 2011

Fairfax House
15 Fulwood Place
London
WC1V 6AY

THE NAKED HEART FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating Income and Expenditure Account)

YEAR ENDED 30 JUNE 2010

| | Notes | 2010 £ | 2009 £ |
|--|-------|------------------|-----------------|
| Incoming resources | | | |
| Income from generated funds | | | |
| <i>Voluntary income</i> | | | |
| Donations and gifts | 2 | 4,600 | 509,191 |
| <i>Activities for generating funds</i> | | | |
| Marathon sponsorship | | 10,891 | - |
| Love Ball | 3 | 1,429,432 | - |
| <i>Investment income</i> | 4 | - | 13,908 |
| Net incoming resources | | <u>1,444,923</u> | <u>523,099</u> |
| Resources expended | | | |
| <i>Cost of generating funds</i> | | | |
| Love Ball | 5 | 482,036 | - |
| <i>Charitable activities – grant making</i> | | | |
| Grants payable | 6 | 1,277,430 | 493,719 |
| Support costs | 7 | 48,663 | 101,740 |
| <i>Governance costs</i> | 7 | 12,147 | 5,678 |
| Total resources expended | | <u>1,820,276</u> | <u>601,137</u> |
| Net outgoing resources | | (375,353) | (78,038) |
| Funds brought forward at 1 July 2009 | | 531,849 | 609,887 |
| Funds carried forward at 30 June 2010 | 10 | <u>£156,496</u> | <u>£531,849</u> |

All of the above results relate to continuing activities.

All gains and losses recognised in the year are included above


The notes on pages 10 to 12 form part of these financial statements

BALANCE SHEET

AT 30 JUNE 2010

| | Notes | 2010 £ | 2009 £ |
|---|-------|-----------------|-----------------|
| CURRENT ASSETS | | | |
| Cash at bank and in hand | | 136,600 | 825,095 |
| Sundry Debtors | 8 | 34,448 | 36,883 |
| | | <u>171,048</u> | <u>861,978</u> |
| CURRENT LIABILITIES | | | |
| Creditors amounts falling due within one year | 9 | 14,552 | 330,129 |
| Total net assets | | <u>£156,496</u> | <u>£531,849</u> |
| Represented by: | | | |
| General Funds | 10 | <u>£156,496</u> | <u>£531,849</u> |

The Financial Statements were approved and authorised for issue by the Trustees on ²³ March 2011 and were signed on their behalf by

Trustee  N. Vodianova

The notes on pages 10 to 12 form part of these financial statements

THE NAKED HEART FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2010

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005, the Companies Act 2006 and other applicable accounting standards

Company status

The Trust is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

Donations and gifts

Donations and gifts are included in the accounts in the year in which they are receivable.

Investment income

Investment income is accounted for on an accruals basis in the year to which it relates.

Resources expended

Costs of generating funds consist of those costs associated with generating income for the charity, including fundraising and bank and investment management costs. Grants payable are accounted for when they have been approved by the trustees and notified to the recipients.

Charitable activities consist of grants and any other costs incurred in accordance with the charity's objects.

Governance costs consist of those costs associated with the overall running of the charity and meeting statutory and regulatory requirements.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Statement of Financial Activities.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

| | 2010 | 2009 |
|-------------------------------|-------------------|-----------------|
| | £ | £ |
| 2. DONATIONS AND GIFTS | | |
| Charitable donations received | £4,600 | £509,191 |
| | <u>£4,600</u> | <u>£509,191</u> |
| 3. LOVE BALL | | |
| | 2010 | 2009 |
| | £ | £ |
| Ticket income sales | 312,273 | - |
| Sponsorship | 383,925 | - |
| Auction Income | 733,234 | - |
| | <u>£1,429,432</u> | <u>-</u> |

THE NAKED HEART FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2010

| | | |
|--|-------------------|-------------------|
| 4. INVESTMENT INCOME | 2010 | 2009 |
| | £ | £ |
| Interest on cash deposits | £ - | £13,908 |
| | <u> </u> | <u> </u> |
| 5. LOVE BALL | 2010 | 2009 |
| | £ | £ |
| Expenditure | £482,036 | £ - |
| | <u> </u> | <u> </u> |
| 6. GRANTS PAYABLE | £ | £ |
| Naked Heart Foundation Russia | £1,277,430 | £493,719 |
| | <u> </u> | <u> </u> |
| 7. OTHER COSTS | 2010 | 2009 |
| | £ | £ |
| a) Support Costs | | |
| Administration fees | - | 2,070 |
| Bank charges | 917 | 369 |
| Staff costs | 49,651 | 25,857 |
| Expenses | 10,441 | 5,244 |
| (Gain)/loss of currency translation | (12,346) | 68,200 |
| | <u> </u> | <u> </u> |
| | £48,663 | £101,740 |
| | <u> </u> | <u> </u> |
| Trustees did not receive any remuneration and were not reimbursed for any expenses | | |
| | £ | £ |
| b) Governance costs | | |
| Auditor's fees for audit services | 3,600 | 3,450 |
| Administration fees | 6,815 | 2,070 |
| Trustees' indemnity insurance | 1,732 | 158 |
| | <u> </u> | <u> </u> |
| | £12,147 | £5,678 |
| | <u> </u> | <u> </u> |
| 8. SUNDRY DEBTORS | 2010 | 2009 |
| | £ | £ |
| HMRC – gift aid receivable | 34,448 | 34,448 |
| Prepayments and other debtors | - | 2,435 |
| | <u> </u> | <u> </u> |
| | £34,448 | £36,883 |
| | <u> </u> | <u> </u> |

THE NAKED HEART FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 30 JUNE 2010

9. CREDITORS: amounts falling due within one year

| | 2010 | 2009 |
|---|----------------|-----------------|
| | £ | £ |
| SG Hambros Trust Company Limited – administration costs | 6,815 | 4,140 |
| Haysmacintyre – audit fees | 3,600 | 2,875 |
| Naked Heart US Foundation | - | 323,114 |
| Other tax and social security | 4,137 | - |
| | <u>£14,552</u> | <u>£330,129</u> |

10. GENERAL FUNDS

The General Fund represents the free funds of the Trust