



**SHELL
FOUNDATION**

Shell Foundation

(a company limited by guarantee not having a share capital)

Trustees' report and consolidated financial statements for the year ended 31 December 2006

Company Registered Number: 4007273
Charity Registered Number: 1080999

**Trustees' report and consolidated financial statements
for the year ended 31 December 2006**

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Additional copies of this report, the reports for prior years and further information regarding the activities of Shell Foundation may be obtained from the following web site:

www.shellfoundation.org

Shell Foundation

Trustees, directors, officers and advisors

Trustees (who are also directors)

Mr Jeroen van der Veer	Chairman	
Mr Malcolm Brinded, C.B.E.		
Ms Roxanne Decyk	Appointed 1 st December 2006	
Sir John Houghton		
Dr William Kalema	Resigned 31 st August 2006	
Miss Jyoti Munsiff	Resigned 20 th October 2006	Reappointed 21 st March 2007
Dr Pieter Winsemius		

Principal Officers

H K Hoffman	Director
C West	Deputy Director
D H Sanger	Secretary
J L C Winterton	Chief Financial Officer

Registered Office

Shell Centre
York Road
London SE1 7NA

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors

Allen & Overy
One New Change
London EC4M 9QQ

Bankers

Lloyds TSB Bank plc
71 Lombard Street
London EC3P 3BS

Investment custodian

JP Morgan Chase Bank
60 Victoria Embankment
London EC4Y 0JP

Report of the Trustees for the year ended 31 December 2006

The trustees, who are also directors of the company for the purpose of the Companies Act, present their annual report and the audited financial statements for the year ended 31 December 2006.

The information with respect to trustees, directors, officers and advisors set out on page 3 forms part of this report. The consolidated financial statements comply with current statutory requirements, the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 and the Charities Act 1993.

Status and Administration

Shell Foundation ("the Foundation") is a charitable company limited by guarantee, incorporated on 31 May 2000 (company registration number 4007273) and registered with the Charity Commissioners as a charity on 2 June 2000 (charity registration number 1080999). The consolidated financial statements include the activities of the Foundation's 100% subsidiary, the South African Energy Facility (SAEF), registration number 2004/000308/08. This subsidiary was incorporated in South Africa as a Section 21 "not for profit" company on 12 January 2004, with charitable objects similar to those of the Foundation.

Structure, Governance and Management

Governance and Internal Controls

The trustees are appointed by the sole member of the Foundation (The Shell Petroleum Company Limited), in consultation with the existing trustees. Trustees serve for a period of three years, with possible re-appointment for further periods (without limitation) of not more than three years.

New trustees are provided with a leaflet on trustee guidelines as prepared by the Charity Commission, and information on the Foundation as appropriate. Briefing discussions are held with the Director of the Foundation and other key staff. Trustees are requested annually to give a formal declaration to the external auditors of any related party transactions.

The trustees meet formally twice each year. They review and approve:

- A strategic plan and annual budget for the Foundation.
- The Foundation's financial results, variances from budget, investment performance, and non-financial performance indicators.
- Internal controls (including delegation of authorities and segregation of duties).
- Risks associated with the Foundation's activities and appropriate mitigation measures in respect of those risks.

The trustees have delegated operational management of the Foundation to the Director and Deputy Director, who report on the performance against the strategic plan and budget as approved by the trustees.

Report of the Trustees (continued) for the year ended 31 December 2006

Statement of Trustees' Responsibilities

The trustees are responsible for safeguarding the charitable company's assets and hence for taking reasonable steps for the prevention and detection of fraud and breaches of laws and regulations. They are responsible for identifying and managing risk.

The trustees are responsible for ensuring that proper accounting records are kept which 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 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities.

The trustees are responsible for the preparation of financial statements for each financial year that give a true and fair view of the charitable company's incoming resources and application of resources during the year and of its state of affairs at the end of the year. In preparing those financial statements the trustees are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards and statements of recommended practice have been followed.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the activities of the charitable company will continue.

The trustees state that, so far as they are aware, there is no relevant audit information of which the Foundation's auditors are unaware, and they have taken all the steps that ought to be taken as trustees in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

The trustees are responsible for the maintenance and integrity of the charitable company's website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Uncertainty regarding legal requirements is compounded as information published on the internet is accessible from other countries that may have differing legal requirements to the UK relating to the preparation and dissemination of financial statements.

Risk Management

The trustees have identified the major risks to which the Foundation might be exposed. Exposure is analysed by plotting on a matrix the likelihood of occurrence (vulnerability) of major risks against the potential consequences of occurrence (impact). The trustees regularly review this matrix, most recently in their December 2006 board meeting, and ensure that appropriate controls are in place to mitigate those risks.

Relationship with The Shell Group

To ensure clarity in the relationship of the Foundation to Royal Dutch Shell plc and its subsidiaries ("Shell Group"), the Board of Trustees includes independent members who have no direct relationship with the Shell Group, known as the "Nominated Trustees". They are selected for their experience of and eminence in the Foundation's field of activities and its objectives.

In addition, the trustees explicitly recognised their charitable responsibilities in this regard by stating formally that the Foundation will not support activities that primarily benefit the commercial interests, meet the business requirements, or fulfil legal obligations of any Shell Group company. Any circumstance where this might be a significant possibility is reviewed by the Nominated Trustees.

The Foundation was formally incorporated on 31 May 2000 and registered as a charity on 2 June 2000. Between incorporation and 31 December 2000, donations of \$259 million were received from Shell Group companies, of which \$256 million was in the form of an expendable endowment and the balance as unrestricted funds. The Foundation has continued to receive annual donations of unrestricted funds from Shell Group companies.

Report of the Trustees (continued) for the year ended 31 December 2006

Grant Making Policy & Grant Commitments

As part of its risk control framework, the Foundation conducts due diligence assessments of prospective grantees (grant recipients) prior to awarding grants to confirm that, at the time of commitment, there is an expectation that the project is likely to be successful and, therefore, that the grant commitment will be paid in full. Once a grantee's application has been approved (in accordance with the Foundation's governance procedures) the grant is formally committed by way of a Letter of Understanding (LOU), which is counter-signed by the grantee. The LOU notifies the grantee that a grant has been awarded and sets forth any terms under which the grant will operate. These terms help the Foundation to ensure that the grant is being used for the intended charitable purpose. Accordingly grant commitments are normally settled over a period of time in accordance with a payment schedule. From time to time, certain milestones must be met by the grantee to receive these scheduled grant payments. The expectation upon signing the LOU is that the grantee will be able to achieve the milestones. Progress against milestones is monitored, based on reports from the grantee, and where a grantee does not meet a milestone the payment of that instalment of the grant may be deferred until such time as the milestone has been met.

Report of the Trustees (continued) for the year ended 31 December 2006

Objectives, Activities and Achievements

Objectives

The primary objectives of the charity are stated in its governing document and include:

1. The protection and preservation of the environment and public health by means of education and research into the provision and use of energy in ways that reduce or eliminate harmful emissions. The Foundation has pursued this objective through grants made through its Sustainable Energy Programme.
2. The advancement of education of young persons and adults. This objective has not been the subject of a specific programme focus, but has been furthered in a number of grants made through the Sustainable Energy Programme.
3. The establishment in life of young persons aged not more than 30 years. This objective was not the focus of a specific programme in 2006.
4. The relief of poverty, suffering, hardship and distress. This objective has been furthered through grants made through both the Sustainable Energy Programme and the Sustainable Communities Programme.

The Foundation's Articles permit it to make grants to further these objectives anywhere in the world, and its policy is to act as a truly international grant-making Foundation. Its grant-making policies specifically exclude:

- Capital schemes for building construction, purchase or renovation, or land purchase, other than where intrinsic to a wider project within the programme areas.
- Endowments, debt reduction and fund-raising campaigns.
- Projects with political or religious objectives.
- Normally, funding for individual study tours or attendance at conferences.

Activities and Achievements

Within each programme there are a number of themes. The objectives, activities and achievements for these are summarised on the following pages.

**Report of the Trustees (continued)
for the year ended 31 December 2006**

Sustainable Energy Programme



In developing countries Small and Medium-sized Enterprises (SMEs) struggle to obtain finance from banks because of a lack of skills, track record and collateral – and a risk adverse culture.

Aspire helps under-served SMEs in Africa to fulfil their potential – and in turn create much needed jobs and economic growth. Aspire assists start-up and early stage growth SMEs through the integrated provision of business development assistance and appropriate finance. Aspire is a strategic partnership between the Foundation and GroFin – an African specialist business developer and financier. The objective of Aspire is to become a self-financing driver of pro-poor economic growth. The results of the 100% subsidiary SAEF are included within Aspire.

<i>Objectives</i>	<i>Activites undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
The objective in 2006 was to scale-up successful pilot SME funds and monitor performance.	<p>We continued to monitor the strong performance of pilot SME funds in South Africa (Empowerment Through Energy Fund (EETF)) and Uganda (Uganda Energy Fund).</p> <p>The East Africa SME Fund became operational in September 2005. Since then, the Foundation has played a key role in monitoring performance, raising the profile of the fund to other investors, and at a governance level.</p> <p>Building on the success of EETF, agreements were concluded with ABSA bank and GroFin to create the Aspire South Africa Fund. This fund will become operational in 2007 and will provide skills and finance to local SMEs.</p>	<p>Grant support from the Foundation assisted both with building capacity (through the creation of local fund management teams in Kenya, Uganda, Tanzania and Rwanda), as well as leveraging funding in excess of \$40 million from other investors (including international development finance institutions and local banks).</p> <p>Monthly performance monitoring demonstrates that Aspire is delivering strong developmental returns (creating over 1,000 jobs and enhancing the livelihoods of over 6,500 people).</p> <p>In November 2006, the Foundation and GroFin won the Africa Investor award for “<i>Best Initiative in support of the SME sector</i>” for the performance of the East Africa SME Fund.</p>	<p>In line with the agreed Pan-African scale-up strategy, we will continue to collaborate with GroFin to establish new SME funds in West Africa.</p> <p>We will maintain a close role in monitoring the performance of existing African SME funds and pilot testing additional products and services of value to the sustainable growth of small enterprises in these countries.</p>

Resources expended in 2006:	\$000
Grants	5,250
Direct costs	308
Support costs	874
Total	6,432

**Report of the Trustees (continued)
for the year ended 31 December 2006**



In developing countries, Indoor Air Pollution (IAP) – primarily smoke generated by indoor cooking and heating on traditional fires and stoves – is the most lethal killer after malnutrition, unsafe sex and lack of safe water and sanitation, according to the World Health Organisation.

Breathing Space aims to achieve a verifiable and significant long-term reduction in the incidence of IAP – which affects the health of poor women and children - by deploying approaches that are market orientated and commercially viable. Breathing Space has supported pilot projects in different countries based upon the sale of improved cookstoves to poorer households.



<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
The objective in 2006 was to assimilate lessons learned from these pilot projects and commence scale-up activities in India.	<p>Monitoring of pilot projects in Ghana, Guatemala and Ethiopia continued together with further technical assistance to local partners.</p> <p>Independent monitoring and evaluation studies were conducted to verify reductions in Indoor Air Pollution associated with pilot projects.</p> <p>Through business development assistance and grant support, both Appropriate Rural Technology Institute and Development Alternatives have been assisted to scale-up the sale of improved stoves in India.</p>	<p>Cumulative sales of improved stoves totalled 264,000 by the end of 2006.</p> <p>Independent performance monitoring has demonstrated that the India pilot projects have delivered reductions in Indoor Air Pollution of up to 40%.</p> <p>It is estimated that efforts to date under Breathing Space have improved the lives of more than a million people.</p>	<p>We will conduct market surveys to assess the opportunity for the Breathing Space programme to commence activities in East Africa and Brazil.</p> <p>In India we will continue to provide business support to facilitate the scale-up of activities with existing partners. We will also commence pilot projects in new States (Tamil Nadu and Karnataka).</p> <p>We will catalyse innovation in stove development through innovation awards. We will set up stove testing facilities in India and continue monitoring and evaluation to verify that use of improved stoves significantly reduces indoor air pollution.</p>

Resources expended in 2006:	\$000
Grants	203
Direct costs	979
Support costs	188
Total	1,370

**Report of the Trustees (continued)
for the year ended 31 December 2006**



Almost 40 percent of the world’s population lives in megacities – with more than 10 million residents – and nearly 300 cities in the developing world have populations of more than a million people. Eventually, without sustainable solutions to urban mobility, many of these cities will be brought to a standstill by congestion and smog.

Embarq catalyses the design and introduction of sustainable transport innovations by cities in developing countries. Embarq is a centre of excellence established and managed by the World Resources Institute with the support of the Foundation.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
The objective in 2006 was to take forward work in Mexico City, Shanghai and 5 other cities and to leverage funding from other partners to scale-up activities.	<p>As a result of the Foundation’s funding EMBARQ has put in place City Agreements with 7 cities, with major projects resulting in substantive action on the ground being underway in Mexico City, Shanghai, Pune, Xi’an and Hanoi.</p> <p>Performance monitoring was undertaken of new activities in Mexico City, including a new Bus Rapid Transit system as well as testing new clean fuels and buses.</p> <p>The Foundation is represented on the Embarq Board and in 2006 contributed towards the development of a business plan for 2007-2011.</p>	<p>EMBARQ’s most advanced project is in Mexico City, where it has worked with the city to develop a Bus Rapid Transit (BRT) system called Metrobus – a bus corridor 20-kilometres long, serviced by 80 articulated buses. Inaugurated in June 2005, the service was recorded as carrying over 100 million passengers by 2006.</p> <p>In June 2006 the Caterpillar Foundation formally committed \$7.5 million to Embarq, and further funding was leveraged for capital works in Mexico City and Shanghai.</p>	<p>EMBARQ is targeting entry into 8 new cities by 2011. Activities in Mexico City, Porto Alegre and Istanbul will be developed further. We will also support the controlled expansion into a new host city in 2007.</p> <p>Together with other investors, we will seek to leverage further funding to enable EMBARQ to become financially independent.</p>

Resources expended in 2006:	\$000
Grants	750
Direct costs	89
Support costs	133
Total	972

**Report of the Trustees (continued)
for the year ended 31 December 2006**

Energise
&
Excelerate

In many developing countries the poor lack access to affordable and reliable energy services. This impacts upon all aspects of their lives, and also stifles wider productive activities.

Energise aims to increase access by the poor to modern energy services in ways that are financially viable. Closely linked to our Energise programme is Excelerate. Excelerate aims to provide business skills and flexible finance to micro-entrepreneurs involved in the provision of services to the poor. Excelerate is a strategic partnership with the Small Scale Sustainable Infrastructure Development Fund (S³IDF) which operates in southern India.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
The objective in 2006 was to monitor performance in southern India and assist with the development of a business plan that will assist S ³ IDF to become financially self sufficient by 2011.	<p>Monitoring the portfolio of small projects (each with a total capital investment of between \$1,000 to \$10,000) in southern India.</p> <p>The Foundation assisted in leveraging co-finance from local financial institutions as well as the development of a business plan for the period 2007-2011 for S³IDF.</p> <p>In 2006 we also supported several high level multi-stakeholder conferences to debate ways to enhance access by the poor to modern energy services (including the Africa Energy Forum), as well as a pilot project to investigate innovative energy supply opportunities for the rural poor in Mozambique.</p>	<p>50 projects have been financed to date, of which most are providing lighting to street traders, micro-enterprises and poorer households.</p> <p>S³IDF has successfully established itself as an organisation with a track record that has enabled it to leverage funding from local banks.</p>	<p>We will continue to monitor the progress of activities in India, and give support to the development of a viable business plan that will seek to attain the financial independence of S³IDF.</p> <p>To assist further the development of the business plan, we will support an independent due diligence of S³IDF in 2007 as well as seek to leverage other investment into a Revolving Fund.</p>

Resources expended in 2006:	\$000
Grants	88
Direct costs *	(118)
Support costs *	(5)
Total	(35)

* Negative amounts (x) represent a reduction in costs accrued in the prior year for this project.

**Report of the Trustees (continued)
for the year ended 31 December 2006**

Incubator

The Incubator programme aims to test a diversity of innovative projects managed by different partners to see which, if any, offer the potential to be both sustainable and scaleable solutions to key development challenges. We highlight below information on key activities supported to date under this programme.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
The objective in 2006 was to explore new partnerships and business based approaches towards reducing carbon emissions, as a forerunner to a possible new climate change programme, as well as wider pro-poor energy service provision initiatives.	<p>To test ways to support the development and uptake of commercially viable low carbon technology innovation, we joined forces with The Carbon Trust and Imperial Innovations to create the Low Carbon Seed Fund.</p> <p>Through support to the think-tank “Third Generation Environment” we supported approaches to accelerate the transition to low carbon energy in China and India.</p> <p>We provided assistance to the Global Village Energy Partnership by developing a business plan for their future growth.</p> <p>We supported a range of projects with different partners that test how the application of business based approaches can enhance the delivery of pro-poor development programmes.</p>	<p>The Low Carbon Seed Fund will become operational in early 2007. A pipeline of interesting new technologies was identified by Imperial Innovations.</p> <p>Inputs by Third Generation Environment had a major influence on climate change discussions at the EU-China summit in 2006.</p>	<p>In 2007 we will actively monitor the performance of existing Incubator projects, seeking to start the scale-up of those that demonstrate success.</p> <p>We will also continue to support new and innovative projects with different partners in an effort identify new ways to tackle energy-poverty and energy-environment issues.</p>

Resources expended in 2006:	\$000
Grants	2,850
Direct costs	
Support costs	452
Total	3,302

Report of the Trustees (continued) for the year ended 31 December 2006

Sustainable Communities Programme



UNLOCKING MARKETS.
ENHANCING LIVELIHOODS.



Many poor farmers in developing countries depend upon exporting foods and other products that cannot be grown or produced in developed countries. While there is growing consumer demand for such products, poor farmers face many barriers to accessing such trade opportunities.

The Trading UP programme aims to unlock markets for poorer producers in developing countries by providing business development assistance and funding.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
In 2006 the objective was to create sustainable supply chains both through building on previous projects as well as strengthening the strategic partnership with Marks & Spencer.	<p>Through further support to Integra, a third Ten Senses store was opened in Eastern Europe to provide market access for women at risk producing a range of products.</p> <p>Building on previous support by the Foundation to Agrocel in India, Marks & Spencer became the first major UK retailer to sell Fairtrade cotton grown by poor Indian farmers.</p> <p>Several new projects were started with Marks & Spencer that involve enhancing market access by poor producers in Africa.</p>	<p>To date 37,000 people have improved their livelihoods as a result of Trading UP, and over 9,000 jobs have been created.</p> <p>More than 330,000 bouquets of flowers produced by our South African 'Flower Valley' project were sold in 200 M&S stores, creating 62 sustainable jobs.</p> <p>Sales to Tesco of dried fruits from Uganda grew to 1.5 tonnes per month to the benefit of over 1,000 poor households.</p>	<p>We will continue to monitor the progress and impact of projects supported under the partnership with Marks & Spencer, as well as support new projects under this partnership.</p> <p>We will work to refine new business models that offer the potential to scale-up pro-poor market access by small-holders and small businesses.</p>

Resources expended in 2006:	\$000
Grants	270
Direct costs	27
Support costs	47
Total	344

Report of the Trustees (continued) for the year ended 31 December 2006

Other

A small number of initiatives supported in 2006 fell outside our main programme focus. These related to small scale support on energy and environment issues, including a grant to help start a new climate change journal (Climate Policy - published by Earthscan).

Resources expended in 2006:	\$000
Grants *	(19)
Direct costs	91
Support costs	11
Total	83

* *Negative amounts (x) represent a reduction, usually due to the project being completed for less than the grant total originally awarded.*

Report of the Trustees (continued) for the year ended 31 December 2006

Consolidated details of all grants committed or awarded by the Foundation and its subsidiary SAEF in the year ended 31 December 2006 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2006 will be payable in subsequent financial years (see notes 5, 15 and 16).

<u>Programme & Theme</u>	<u>Grantee</u>	<u>Total Funding \$000</u>
Sustainable Energy Programme		
Aspire	Grofin East Africa <i>Scaling up - establishment of Grofin Tanzania</i>	550
	Lex Mundi Pro Bono Foundation <i>Strengthening the legal rights of small enterprises and social entrepreneurs</i>	100
	Grofin Managers <i>West Africa SME Fund</i>	1,500
	Grofin East Africa <i>Scaling up the East Africa SME Fund</i>	500
	EurAfrican Bank <i>Training Development and capacity building of EurAfrican Bank</i>	100
	Grofin Investment Holdings <i>Scale-up of SME Funds in East and South Africa</i>	2,500
		5,250
Breathing Space	IT Power Ltd * <i>Reduction against grant awarded in 2005</i>	(16)
	Winrock International Institute <i>Indoor Air Pollution Conference - Brazil</i>	14
	EnterpriseWorks Worldwide Inc <i>India Stoves Assessment in 2 states in India</i>	203
	Aprovecho Research Center <i>Improving the Ethiopian MIRT/Tikkil Stove</i>	25
	Enterprise Works Worldwide <i>Clean Energy Cooking Ghana - Workshop</i>	1
	Crestar Capital India Private * <i>Reduction of grant made in 2004</i>	(77)
	The Regents of the University of California <i>Promotion of Technology innovation of stoves in China and abroad</i>	41
	Aprovecho Research Center <i>Indoor Air Pollution Conference - Brazil</i>	7
	Venture Strategies for Health & Development <i>IAP Benchmark conference - Bonn</i>	5
		203
Embarq	World Resource Institute (WRI) <i>2006 Challenge Grant</i>	750
		750
Energise	EnergyNet Ltd <i>Africa Energy Forum 2006</i>	18
	AHEAD Energy Corporation <i>Energy supply extensions in rural Mozambique</i>	50
	The World Technology Network <i>2005 World Technology Summit</i>	20
		88

Report of the Trustees (continued) for the year ended 31 December 2006

Incubator	International Business Leaders Forum	15
	<i>Business Action for Africa – Enterprise Development Project</i>	
	US Chamber of Commerce	10
	<i>2006 Global Corporate Citizenship Programme</i>	
	Imperial College	1,937
	<i>Low Carbon seed fund</i>	
	Third Generation Environmental	200
	<i>Accelerating the transition to Low Carbon Energy in China and India: Stage 1</i>	
	Institute of Social & Ethical Accountability	200
	<i>Applying Accountability thinking to improve the delivery of aid-funded poverty services</i>	
	University of St Andrews	252
	<i>Private Sector finance and the support of infrastructure as a source of economic growth</i>	
	Dox Productions Ltd	36
	<i>Climate Change film and outreach project</i>	
	Global Village Energy Partnership (GVEP)	50
	<i>Business plan implementation and African Energy access fund planning</i>	
	UNECA	150
	<i>Initiative for Central Africa - Improving cross-border business climates in Central Africa 2006-2009</i>	
		2,850
Sustainable Communities Programme		
Trading UP	Organic Exchange	100
	<i>Leading Change: Scaling-up, sustaining growth and delivering results</i>	
	Colors Fruit (SA) Pty Ltd	150
	<i>New Cultivars for South Africa</i>	
	Fairtrade Foundation	20
	<i>Review of the Fairtrade model for tea</i>	
		270
Other		
Counterbalance	Entrepreneurial Development Initiative *	(40)
	<i>Reduction of grant made in 2004</i>	
Biodiversity	Robert Swan Foundation	5
	<i>Biodiversity in Africa</i>	
Climate change	The John Ray Initiative	10
	<i>General support for work on environment</i>	
	Earthscan / James & James	6
	<i>Climate Policy Journal</i>	
		(19)
	Total Grants awarded in 2006	9,392

* Negative amounts (x) represent a reduction, usually due to the project being completed for less than the grant total originally awarded.

Report of the Trustees (continued) for the year ended 31 December 2006

Financial Review

Financial Activities

The Statement of Financial Activities is set out on page 20 of the financial statements.

Principle funding sources

The Foundation's funding source for its annual grant programmes continues to be donations from subsidiaries of Royal Dutch Shell plc. Shell Group has indicated the likely levels of support for 2007 to 2010. Investment income from the Foundation's endowment fund is re-invested in accordance with the Reserves policy.

Reserves

The medium term objective of the trustees continues to be to build reserves to a level that provides a mature asset base capable of sustaining the funding of the entire annual programme of the Foundation. It is considered that the rate of annual growth on the original invested fund of \$256 million should be sufficient to attain the desired level of reserves by the end of 2010. In the meantime it is anticipated that the annual grant programmes will continue to be financed by annual donations from subsidiaries of Royal Dutch Shell plc.

Investment Policy and Performance

The trustees wish to make prudent investments consistent with meeting the Foundation's primary objective of reaching financial independence by the end of 2010. The flexibility offered by the funding arrangements outlined above permits an investment policy that is targeted towards a higher rate of return and accepts volatile short-term results in the expectation that the volatility will be more than compensated by superior long-term performance. To achieve this objective the selected strategy is to invest in a globally diversified portfolio of equity and bond markets (weighted 60% in equities and 40% in bonds). The Foundation has the US Dollar as its functional currency. In order to mitigate the risk associated with investing globally in multiple currencies, the investment portfolio is hedged back to US dollars (by the fund manager) through the use of forward foreign exchange contracts.

Investments are included at closing mid-market value at the balance sheet date. Overall investment performance of the endowment during 2006 showed a positive return of 12.1%, which was in line with the portfolio benchmark return. The good performance was primarily attributable to the continuing rally in world equity markets. The cumulative return since inception to year end 2006 was 42% (before fees). The Foundation closed the year within the estimated return range consistent with achieving the long-term financial objectives by December 2010.

Report of the Trustees (continued) for the year ended 31 December 2006

Auditors

The sole member approved the adoption of Elective Resolutions on 28 March 2001, in accordance with the Companies Act 1985, to dispense with (a) the holding of Annual General Meetings, (b) the laying of Report and Accounts before general meetings each year, and (c) the annual re-appointment of Auditors.

PricewaterhouseCoopers LLP accordingly shall continue as Auditors of Shell Foundation pursuant to section 386(2) of the Companies Act 1985. In accordance with section 253(2) of the Companies Act 1985, any Member or the Auditors may require the Report and Accounts to be laid before a general meeting by depositing a notice to that effect at the registered office of the Foundation not later than 28 days after the despatch of the accounts and reports to Members.

PricewaterhouseCoopers have audited Shell Foundation's 'not for profit' subsidiary, South African Energy Facility, which is included within the consolidated financial statements for 2005 and 2006.

By order of the Board

Roxanne Decyk
Trustee

August 2007

Independent auditors' report to the member of Shell Foundation

We have audited the group and parent charity financial statements ("the financial statements") of Shell Foundation for the year ended 31 December 2006 which comprise the consolidated statement of financial activities, the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of Shell Foundation for the purposes of company law) for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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). This report, including the opinion, has been prepared for and only for the charitable company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 December 2006 and of the group's incoming resources and application of resources, including the group's income and expenditure and cash flows, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, August 2007

Consolidated statement of financial activities for the year ended 31 December 2006

	Note	Unrestricted Funds 2006 \$000	Endowment Funds 2006 \$000	Total Funds 2006 \$000	Total Funds 2005 \$000
Incoming Resources					
<i>Incoming resources from generated funds</i>					
Voluntary					
- Donations	2	15,500		15,500	14,600
- Donated Services	2				68
- Voluntary Grant Repayment	4	215		215	160
Investment Income	3	874	11,478	12,352	10,468
Total Incoming Resources		16,589	11,478	28,067	25,296
Resources Expended					
<i>Cost of generating funds:</i>					
Investment management costs			(356)	(356)	(341)
Total cost of generating funds			(356)	(356)	(341)
<i>Charitable Activities</i>					
<i>Sustainable Energy Programme</i>					
- Aspire		(6,432)		(6,432)	(2,637)
- Breathing Space		(1,370)		(1,370)	(1,477)
- Embarq		(972)		(972)	(1,109)
- Energise		35		35	(1,361)
- Incubator		(3,302)		(3,302)	
<i>Sustainable Communities Programme</i>					
- Trading Up		(344)		(344)	
<i>Other</i>					
- Other		(83)		(83)	(1,314)
Total Charitable Activities	6	(12,468)		(12,468)	(7,898)
Governance costs	8	(368)		(368)	(288)
Exchange gain/(loss)		60	125	185	(44)
Total charitable expenditure		(12,776)	125	(12,651)	(8,230)
Total resources expended		(12,776)	(231)	(13,007)	(8,571)
Net incoming resources before revaluations and investment asset disposals					
Realised gains on the revaluation and disposal of Investment assets		3,813	11,247	15,060	16,725
Unrealised gains/(losses) on the revaluation and disposal of Investment assets			139	139	24,962
			29,012	29,012	(4,911)
Net Movement in Funds		3,813	40,398	44,211	36,776
Fund balances brought forward at 1 January 2006		12,134	332,332	344,466	307,690
Fund balances carried forward at 31 December 2006		15,947	372,730	388,677	344,466

All incoming resources, resources expended and resulting net movements in funds are derived from continuing activities. There are no recognised gains or losses other than those outlined in the Statement of Financial Activities.

The accompanying notes form part of these financial statements.

Consolidated income and expenditure account for the year ended 31 December 2006

	2006 \$000	2005 \$000
Gross Charitable Income	15,500	14,668
Total Expenditure	(13,007)	(8,571)
Net surplus / (deficit) before investment asset disposals	2,493	6,097
Investment Income	12,352	10,468
Other Income	215	160
Realised (loss)/gain on investment asset disposals	139	24,962
Net surplus of income over expenditure for the year	15,199	41,687

Balance sheets as at 31 December 2006

	Note	Shell Foundation 2006 \$000	Shell Foundation 2005 \$000	Shell Foundation Group 2006 \$000	Shell Foundation Group 2005 \$000
Fixed Assets					
Investments (at market value)	12	383,523	342,458	383,523	342,458
Current Assets					
Debtors: amounts falling due within one year	13	3,436	2,105	3,436	2,105
Cash at bank & in hand	14	9,074	10,036	9,719	10,218
		12,510	12,141	13,155	12,323
Creditors: amounts falling due within one year	15	(6,071)	(7,771)	(6,370)	(7,780)
Net Current Assets		6,439	4,370	6,785	4,543
Total Assets less Current Liabilities		389,962	346,828	390,308	347,001
Creditors: amounts falling due after more than one year	16	(1,631)	(2,535)	(1,631)	(2,535)
Net Assets		388,331	344,293	388,677	344,466
Represented by:					
Endowment Funds – including a revaluation reserve in \$000 of 69,345 (2005: 40,165)	17	372,730	332,332	372,730	332,332
Unrestricted Funds	17	15,601	11,961	15,947	12,134
Total Funds		388,331	344,293	388,677	344,466

The accompanying notes form part of these financial statements.

The financial statements on pages 20 to 31 were approved by the trustees and signed on their behalf by:

Roxanne Decyk
Trustee

August 2007

**Consolidated cash flow statement
for the year ended 31 December 2006**

	Note	2006		2005	
		\$000	\$000	\$000	\$000
Donations received		15,500		14,600	
Grants expensed in year		(9,392)		(4,788)	
Other Expenses		(3,462)		(3,288)	
Creditor Movements (Unrestricted)		(2,262)		(5,314)	
Revaluation of Bank Accounts		76		(124)	
Net cash inflow from operating activities	19		460		1,086
Returns on investments and servicing of finance					
Interest Income Bank accounts		230		109	
Investment Income Fidelity		645		331	
Investment income received endowment funds (excluding dividends reinvested)		6,097		6,299	
Investment income attributable to endowment funds (excluding dividends reinvested)		(6,097)		(6,299)	
Investment income attributable to Voluntary Grant repayments		215		160	
Total returns on investments and servicing of finance			1,090		600
Capital expenditure and financial investment					
<u>Investing Activities</u>					
Purchase of investments	12	(40,932)		(85,538)	
Less: Dividends reinvested included in purchases above		4,873		3,585	
Sale of investments		37,801		68,825	
Movement on investments debtor / creditor		(887)		4,420	
Bank Charges JP Morgan				(1)	
(Purchase)/Sale of Investments Fidelity		(4,000)		188	
Dividends reinvested Fidelity		(645)		(331)	
<u>Hedging Activities</u>					
Payments on forward foreign exchange contracts	12	(1,208,901)		(1,392,419)	
Proceeds on forward foreign exchange contracts		1,204,765		1,395,556	
Realised gain/(loss) on foreign exchange		98		(40)	
Cash flow attributable to endowment investments		3,182		5,611	
Total capital expenditure and financial investment			(4,646)		(144)
Net cash inflow before financing			(3,096)		1,542
Financing					
Investment income retained within endowment funds		6,097		6,299	
Net cash outflow attributable to endowment investments		(3,182)		(5,611)	
Cash expended on endowment fund fees		(408)		(368)	
Total Financing			2,507		320
Revaluation of investment cash account			90		(43)
(Decrease)/Increase in cash in the year as per Balance Sheet			(499)		1,819

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2006

1 Accounting Policies

Basis of Preparation

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", published in March 2005, and in accordance with applicable United Kingdom accounting standards and the Companies Act 1985.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investments. The financial statements are prepared on a going concern basis.

The financial statements of the Foundation are prepared in United States dollars. This is because the local currency of the Foundation, defined in SSAP 20 as the currency of primary economic environment in which the Foundation operates, is US dollars, reflecting the high proportion of grants awarded and donations received in dollars and consequent dollar weighting of its investment funds. The average exchange rate used during the year to translate Sterling (GBP) to US dollars (USD) was GBP/USD 0.5465, and the average exchange rate used to translate Rand to US dollars was Rand/USD 7.0551.

Consolidation

The financial statements consolidate, on a line by line basis, those of the Foundation and its wholly-owned South African not for profit subsidiary, the South African Energy Facility. As permitted by paragraph 304 of the Charities SORP, no separate Statement of Financial Activities has been presented for the Foundation alone. The net incoming resources and net movement in funds of the Foundation alone were (in \$000s) 14,886 (2005: 16,584) and 44,037 (2005: 36,636) respectively. The disclosures listed in paragraph 401 of the Charities SORP have not been given, as the subsidiary is not material to the group.

Fund Accounting

Funds held by the charity are either:

- General unrestricted income funds, that are expendable at the discretion of the trustees in furtherance of the charity's objects; or
- Expendable endowment funds, whose principal purpose is for investment to build the asset base of the Foundation to a sustainable level but which can be converted at the discretion of the trustees into expendable income when needed.

Incoming Resources

Donations and investment income are included in the Statement of Financial Activities when the charity is legally entitled to the income. Donated services, if applicable, are included in income at a valuation, which is an estimation of the value to the charity.

Investment income arising from expendable endowment fund investments is added to endowment funds. This reflects the fact that the income is currently reinvested, in accordance with the funding memorandum from the endowment donor, to meet the objective of building the endowment fund to a level capable of sustaining the entire annual programme of the Foundation.

Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to programmes on a basis consistent with the use of resources. Support costs are allocated across the programmes based on the value of grants given out by that programme and direct costs attributable to that programme.

Notes to the financial statements (continued) for the year ended 31 December 2006

Costs of Generating Funds

The costs of generating funds comprise investment management costs for both income generation and capital maintenance.

Comment [C1]: Page: 15
CG changed wording to read better from "funds comprises of"

Charitable activity costs

Charitable activity costs are comprised of grants, costs for processing grants and applications, direct costs invoiced to the charity, and for the administration and monitoring of projects. These costs include staff costs and associated overheads incurred on staff undertaking these activities. Staff costs are comprised of charges in respect of the services of employees of Shell Group companies in relation to Foundation activities. The Foundation has no direct employees.

Grant commitments charged as charitable activity costs in the Statement of Financial Activities represent the new commitments awarded by the Foundation in the year, as evidenced by the LOUs signed in that year. Grant commitments for which payments were outstanding at the year-end are shown as liabilities in the Balance Sheet. The commitments are not discounted.

Governance costs

Governance costs comprise direct and indirect costs for the strategic running of the charity itself as an organisation, as distinct from directly pursuing its charitable activities. Direct costs include such items as external audit, legal advice for trustees and costs associated with constitutional and statutory requirements. Indirect costs include a proportion of management (and other staff) time spent on strategic activities, together with associated overhead costs (see note 8).

Value Added Tax ('VAT')

The charity is registered for Value Added Tax ('VAT') as part of the Shell International Petroleum Company VAT Group. VAT incurred by the Foundation on its expenditure is not recoverable, as the charity does not make any taxable supplies. Irrecoverable VAT is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Gains and Losses on Foreign Exchange

Monetary assets and liabilities denominated in currencies other than dollars are converted to dollars at the rate ruling at the balance sheet date. Items of income and expenditure in non-dollar currencies are converted at transaction date exchange rate where known, or otherwise at the average rate for the period. Non-dollar items typically relate to UK operating costs, which are incurred in pounds sterling ("GBP"), as well as a small proportion of grants awarded in GBP. All realised and unrealised gains and losses on exchange are reflected in the Statement of Financial Activities.

Investments

Investments are included at closing mid-market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals form part of the fund in which the investment is held at the time of the revaluation or disposal. Realised and unrealised gains and losses are combined in the Statement of Financial Activities.

Financial Instruments

The Foundation has the US Dollar as its functional currency. In order to mitigate the risk associated with investing globally in multiple currencies, the investment portfolio is hedged (by the fund managers) through the use of forward foreign exchange contracts. The mandate is to hedge 50% of non US Dollar denominated equities and 100% of non US Dollar denominated bonds. Unsettled forward contracts are marked to market at the balance sheet date. All realised and unrealised gains and losses on forward foreign exchange contracts are combined in the Statement of Financial Activities with the gains and losses on the underlying investment portfolio.

Notes to the financial statements (continued) for the year ended 31 December 2006

2 Donations Received

	2006	2005
	\$000	\$000
Cash		
Corporate Donations:		
Shell Trading International Ltd	15,500	14,600
In Kind		
J Walter Thompson		68
	15,500	14,668

3 Investment income

	Shell	Shell	Shell	Shell
	Foundation	Foundation	Foundation	Foundation
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Interest on Cash Deposits	862	438	875	438
Fixed Interest Securities	6,604	5,517	6,604	5,517
Dividends	4,873	4,513	4,873	4,513
	12,339	10,468	12,352	10,468

4 Voluntary repayments

	Shell	Shell	Shell	Shell
	Foundation	Foundation	Foundation	Foundation
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Voluntary part repayment of grant from Empowerment through Energy Fund			215	160
			215	160

The Foundation provided a grant of one million US dollars to The South African Energy Facility (SAEF) on 28 November 2003. SAEF in turn awarded a grant of this amount to the Empowerment Through Energy Fund (ETEF) as a risk capital contribution. ETEF is a pro-poor trust with a limited life of seven years. In view of the good performance of ETEF, the trustees of ETEF agreed in 2005 and in 2006 that a payment be made to its donors and investors in proportion to their original contributions. This was in line with the original intention of SAEF's grant to ETEF that any monies received back from ETEF would be re-distributed into further pro-poor charitable activities in South Africa.

Notes to the financial statements (continued) for the year ended 31 December 2006

5 Grants Payable

	Shell Foundation 2006 \$000	Shell Foundation 2005 \$000	Shell Foundation Group 2006 \$000	Shell Foundation Group 2005 \$000
Grants payable brought forward	(9,035)	(14,623)	(9,035)	(14,623)
Payments	11,679	10,376	11,429	10,376
Grants payable within 1 year	5,117	6,500	5,367	6,500
Grants payable after 1 year	1,631	2,535	1,631	2,535
Grants awarded in the year	9,392	4,788	9,392	4,788

A full list of grants awarded in the year ended 31 December 2006 is included in the Trustees' Report (pages 15 and 16).

6 Charitable Activities Expenditure by Theme

	Grants \$000	Direct costs \$000	Support costs \$000	2006 \$000	2005 \$000
Aspire	(5,250)	(308)	(874)	(6,432)	(2,637)
Breathing Space	(203)	(979)	(188)	(1,370)	(1,477)
Embarq	(750)	(89)	(133)	(972)	(1,109)
Energise/Excelerate	(88)	118	5	35	(1,361)
Incubator	(2,850)		(452)	(3,302)	
Trading Up	(270)	(27)	(47)	(344)	
Other	19	(91)	(11)	(83)	(1,314)
Total for 2006	(9,392)	(1,376)	(1,700)	(12,468)	
Total for 2005	(4,788)	(1,647)	(1,463)		(7,898)

Grants are listed in the Trustees' Report accompanying these accounts.

Direct costs include goods and services invoiced to the charity together with directly attributable manpower, and are allocated to the activity they relate to. Other support costs, that cannot be directly linked to an activity, are apportioned across the programme themes on the basis of the value of grant and direct cost expenditure. The activities making up these costs are shown in note 7 below.

7 Direct and Support Costs

	Direct costs \$000	Support costs \$000	2006 \$000	2005 \$000
Manpower costs (see note 10)	(624)	(915)	(1,539)	(1,161)
External services	(346)	(232)	(578)	(1,016)
Communications	(76)	(302)	(378)	(510)
Travel	(269)	(198)	(467)	(329)
Training	(6)	(22)	(28)	(42)
Sundry	(55)	(31)	(86)	(52)
Total	(1,376)	(1,700)	(3,076)	(3,110)

External service costs are those paid directly to a third party supplier for services (including professional fees and consultancy) rather than being paid via a grantee intermediary. Direct costs for external services shows costs at the project level, support costs are charity wide. Within external services for 2006, Shell Group companies account for \$160,396 of expenditure on normal business terms.

Notes to the financial statements (continued) for the year ended 31 December 2006

8 Governance Costs

	2006	2005
	\$000	\$000
Manpower costs (see note 10)	(293)	(229)
Audit fees	(32)	(29)
Publications		(1)
Trustee expenses	(14)	(9)
Legal fees	(10)	
Subscriptions	(15)	(16)
Bank charges	(4)	(4)
Total	(368)	(288)

Net incoming resources are stated after charging auditors' remuneration for audit services ("Audit Fees") as shown above. These are the fees for the audit of the Foundation's consolidated accounts. Within the subsidiary SAEF's operating expenditure for 2006 and 2005 is a \$3,000 fee for the audit of their statutory accounts by PriceWaterhouseCoopers Inc – this is included in sundry direct costs (note 7).

9 Trustee information

No trustee received any remuneration from the charity during the year. The Foundation directly incurred or reimbursed travel expenses in relation to two trustees totalling \$14,489 (2005: \$8,809 in respect of three trustees).

No indemnity insurance for trustees' liability has been purchased by the charity. However, because all trustees are appointed by The Shell Petroleum Company Limited (the sole member) they are automatically covered by the Shell Group Directors and Officers liability insurance policy. Insurance cover is permitted under clause 21 of the Foundation's Memorandum of Association.

10 Employee information

The Foundation has no direct employees. Some employees of Shell Group companies work on the Foundation's activities. The average staff employed by Shell Group companies to work for the Foundation during the year was 7.7 (2005: 6.2).

Manpower expenditure included in Direct and Support costs (note 7) comprises charges at cost in respect of the services of these Shell Group employees, including salaries and office overhead costs. The salary and tax element included within Manpower expenditure is as follows:

	2006	2005
	\$000	\$000
Salaries	(927)	(608)
Social security	(92)	(64)
Pension costs	(118)	(89)
	(1,137)	(761)

The number of Shell Group employees working on Foundation activities whose emoluments amounted to over \$110,000 in the year was 2 (2005: 2).

Notes to the financial statements (continued) for the year ended 31 December 2006

11 Taxation

The Foundation is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments. The 100% subsidiary SAEF incurred \$38,000 of tax charges, which is included in sundry expenditure.

12 Investments – charity and group

	Market Value 01-Jan-06 \$000	Purchases at cost/ Deposits \$000	Sale Proceeds/ Withdrawals \$000	Gains/ (Losses) \$000	Market Value 31-Dec-06 \$000
Fixed Interest Securities					
UK public sector quoted	9,582	2,876	(1,245)	940	12,153
Overseas public sector quoted	114,642	33,058	(19,033)	4,289	132,956
Overseas quoted	198			(2)	196
	124,422	35,934	(20,278)	5,227	145,305
Pooled Investment Vehicles					
UK					
Overseas	203,806	4,999	(17,523)	35,429	226,711
	203,806	4,999	(17,523)	35,429	226,711
Forward Foreign Exchange Contracts	3,471	1,208,901	(1,204,765)	(11,504)	(3,897)
Sub-Total	331,699	1,249,834	(1,242,566)	29,152	368,119
Cash invested in Institutional Cash Funds					
	10,759	4,644		1	15,404
Totals	342,458	1,254,478	(1,242,566)	29,153	383,523

As at the year end the Foundation held equity investments valued at \$226.7 million, benchmarked to the MSCI World Index, held with State Street Global Advisors in a Common Trust Fund. Cash invested in institutional cash funds represents cash invested in Fidelity Institutional Cash Fund plc.

13 Debtors – charity and group

	Shell Foundation 2006 \$000	Shell Foundation 2005 \$000	Shell Foundation Group 2006 \$000	Shell Foundation Group 2005 \$000
Amounts falling due within one year:				
Other Debtors	3,436	2,105	3,436	2,105

Other debtors primarily relate to investment activities.

Notes to the financial statements (continued) for the year ended 31 December 2006

14 Cash at bank and in hand – charity and group

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash at Bank	9,074	10,036	9,719	10,218

For the purposes of the cash flow statement, cash includes cash at bank and in hand other than cash invested in institutional cash funds, which is classified as an investment.

15 Creditors: amounts falling due within one year

All Programme support expenses, investment management costs and Foundation management expenses are initially incurred and paid through Shell International Limited. These expenses are then recharged at cost by invoice from Shell International Limited to the Foundation on a monthly basis.

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Grants Payable	5,117	6,500	5,367	6,500
Trade Creditors – Shell International Limited		346		346
Accruals – Shell International Limited	954	925	954	925
Accruals – Other			49	9
	6,071	7,771	6,370	7,780

16 Creditors: amounts falling due after more than one year – charity and group

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Total Grants payable	6,748	9,035	6,998	9,035
Less amounts falling due within one year (note 15)	(5,117)	(6,500)	(5,367)	(6,500)
	1,631	2,535	1,631	2,535
Represented by:				
Grants payable in greater than one year but less than two years	1,119	1,725	1,119	1,725
Grants payable in greater than two years	512	810	512	810
	1,631	2,535	1,631	2,535

Notes to the financial statements (continued) for the year ended 31 December 2006

17 Group Funds

	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	332,332	11,478	(231)	29,151	372,730
Unrestricted Funds	12,134	16,589	(12,776)		15,947
	344,466	28,067	(13,007)	29,151	388,677

18 Analysis of net assets between funds

	Note	Unrestricted Funds 2006 \$000	Endowment Funds 2006 \$000	Shell Foundation Group 2006 \$000	Shell Foundation Group 2005 \$000
Fixed Assets					
Investments (at market value)	12	19,340	364,183	383,523	342,458
Current Assets					
Debtors: amounts falling due within one year	13		3,436	3,436	2,105
Cash at bank & in hand	14	4,608	5,111	9,719	10,218
Creditors: amounts falling due within one year	15	(6,370)		(6,370)	(7,780)
Net Current Assets		(1,762)	8,547	6,785	4,543
Total Assets less Current Liabilities		17,578	372,730	390,308	347,001
Creditors: amounts falling due after more than one year	16	(1,631)		(1,631)	(2,535)
Net Assets		15,947	372,730	388,677	344,466

19 Reconciliation of net incoming resources to net cash inflow from operating activities

	Shell Foundation Group 2006 \$000	Shell Foundation Group 2005 \$000
Continuing activities		
Net incoming / (outgoing) resources - unrestricted funds	3,813	6,995
Investment income - unrestricted funds	(644)	(331)
Net unrealised exchange (gain) / loss on unrestricted investment funds	(1)	6
Increase in net creditors – unrestricted funds	(2,262)	(5,314)
Voluntary Grant repayment	(215)	(160)
Interest Income on bank accounts	(230)	(109)
Difference in exchange on brought forward balances	(1)	(1)
	460	1,086

Notes to the financial statements (continued) for the year ended 31 December 2006

20 Capital commitments

The Foundation had no capital commitments as at 31 December 2006 (2005: \$ nil).

21 Capital

The Charity is a company limited by guarantee. The sole member has undertaken to contribute £1 to the assets of the company to meet its liabilities if called on to do so.

22 Related party transactions

The sole member of the Foundation is The Shell Petroleum Company Limited ('SPCo'). The ultimate parent company of SPCo is Royal Dutch Shell plc.

Of the Foundation's current or former trustees listed on page 3, the following four are or were directors or officers of certain Shell Group companies: Mr Jeroen van der Veer, Mr Malcolm Brinded, Ms Roxanne Decyk and Miss Jyoti Munsiff (who retired during the year). The Shell Group has other charitable affiliates that are not formally related to the Foundation, such as The Shell Centenary Scholarship Fund in the UK and the Shell Oil Foundation in the USA.

On 10 November 2005 Dr William Kalema was appointed to the Board of Trustees. Since 1998, Dr Kalema has been Board Chairman of the Development Finance Company of Uganda (DFCU) and of its related financial institutions. In January 2003, prior to Dr Kalema taking up his position as a trustee, the Foundation had approved a grant agreement with DFCU that leveraged a matched funding contribution to the establishment of the Uganda Energy Fund. Building on the success of the Uganda Energy Fund, the Managing Director of DFCU confirmed on 29 March 2005 that they were keen to contribute co-investment towards the East Africa SME Fund established by the Foundation and GroFin. Subsequently, DFCU signed a co-investment agreement in March 2006 to participate in this Fund. Following on from his role as a member of the UK Africa Commission in 2005, Dr Kalema became a trustee of the Investment Climate Facility, to which the trustees of the Foundation approved in December 2005 a commitment to support this multi-donor initiative.

Sir John Houghton is also a trustee of The John Ray Initiative, registered charity 1067614, which received a grant of \$9,800 from the Foundation during the year.

22 Contingent liabilities

At any time the Foundation may be in discussion with potential grantees or may even have made formal offers of grants to grantees, which are pending their acceptance. As at 31st December 2006 there were contingent liabilities in the form of formal offers ("Letters of Understanding") issued but pending acceptance that have not been included in the Balance Sheet. All accepted offers of grants have been included in charitable expenditure for the year. As at 31 December 2006 the Foundation had contingent liabilities of \$2,250,000 in respect of the following:

<u>Organisation</u>	<u>\$000</u>
A. EMBARQ project. This is in addition to the grants of \$3.75 million awarded in 2002, \$0.75 million in 2003, \$0.472 million in 2004, \$0.75 million in 2005 and \$0.75 million in 2006 (which were included in charitable expenditure for these years). The award of a further grant of up to \$0.75 million is conditional upon the future performance of the grantee, World Resources Institute (WRI), meeting certain targets.	750
B. Investment Climate Facility Africa (ICF) – On 15 November 2005 the Trustees of Shell Foundation entered into a contingent liability with the Investment Climate Facility Africa, a UK government backed development initiative. The total commitment of \$1.5 million is to be awarded across five years. The first three years' commitments are for \$0.3 million per annum subject to satisfactory annual performance of the ICF. It is also our understanding that subject to satisfactory performance of the ICF there will be an additional financial commitment of \$0.3 million per annum for years four and five.	1,500
	2,250

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