



**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 2007

Company Registered Number: 4007273
Charity Registered Number: 1080999

**Trustees' report and consolidated financial statements
for the year ended 31 December 2007**

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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	
Sir John Houghton	Nominated trustee
Dr William Kalema	Nominated trustee
Dr Pieter Winsemius	Nominated trustee

Principal Officers

H K Hoffman	Director	Resigned as at 30 September 2008
C West	Deputy Director	Acting Director from 30 September 2008
D H Sanger	Secretary	
A J Burston	Finance Manager	

Registered Office

Shell Centre
York Road
London SE1 7NA

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors

Allen & Overy
One Bishops Square
London E1 6AD

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Investment custodian

JP Morgan Chase Bank
60 Victoria Embankment
London EC4Y 0JP

Report of the Trustees for the year ended 31 December 2007

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 2007.

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.

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, who reports 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 2007

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 November 2007 board meeting, and ensure that appropriate controls are in place to mitigate those risks.

Of the 10 key risk areas identified, none are currently regarded as posing an unacceptable residual exposure. Two key areas of risk where active management is ongoing relate to the reliance on strategic partners to take the Foundation's programmes forward and build commercial businesses, and the need for sufficient, suitably skilled staff to support these partners and identify and develop new projects. These risks are being managed through the careful selection process undertaken for new strategic partners, and through staff recruitment and training and the development of a staff competency framework, which will underpin both of these processes.

Report of the Trustees (continued) for the year ended 31 December 2007

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.

Grant Commitments

The Foundation identifies strategic partners it wants to support, and does not encourage the submission of unsolicited grant applications.

As part of its risk control framework, the Foundation conducts due diligence assessments of these 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.

Certain milestones must be met by the grantee to receive scheduled grant payments. The expectation upon signing the Letter of Understanding (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 2007

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 Breathing Space, EMBARQ, Energise and Excelerate programmes.*
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 Incubator 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 2007.*
4. The relief of poverty, suffering, hardship and distress. *This objective has been furthered through grants made through all the Foundation's programmes.*

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. It is not the Foundation's practice to support:

- 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

The objectives, activities and achievements for the Foundation's programmes are summarised on the following pages.

**Report of the Trustees (continued)
for the year ended 31 December 2007**



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. Yet the SME sector is absolutely vital to the economic development of poor countries.

Aspire helps these “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 be a self-financing driver of pro-poor economic growth. The results of the 100% subsidiary SAEF are included within Aspire.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To maintain a close role in monitoring the performance of existing SME funds in South Africa, Kenya, Uganda, Tanzania, Rwanda and Nigeria, and to pilot additional products and services for SMEs in East Africa.	Actively participated in the governance of all established funds. Supported GroFin’s pilot of additional products and services of value to the sustainable growth of small enterprises in East Africa.	GroFin continues to demonstrate high professional standards and introduced its own Business Principles in 2007. As at October 2007, 665 SMEs had received business development assistance and 62 had received financial support.	Continue to monitor performance of all existing SME funds in Africa and commence operations in Ghana. Complete all Foundation grant payments to GroFin once it becomes financially self-sustaining.
To assist GroFin in establishing a new SME fund in West Africa.	Participated in a review trip to West Africa, which resulted in the selection of Ghana for a new SME fund.	This has led to the creation of over 1,500 jobs and the improved livelihoods of 11,500 people.	Secure commitments of at least \$70 million in the new Pan-African SME fund.
To further support the scale-up of GroFin operations through the establishment of a new Pan African SME fund.	Supported the development and promotion of a new \$130 million Pan-African SME fund to development finance institutions (DFIs).	Of all the SMEs financed, 30% were start-ups and 40% related to the provision of energy services.	Support a pilot capacity building programme to develop skills within this new “Growth Finance” sector in Africa.
To review the continued need to maintain SAEF in view of the good progress with SME funds in South Africa.	Gained agreement on the voluntary winding-up of SAEF, subsequently approved by the Board of Trustees.	We obtained strong interest from leading DFIs to invest in the new Pan-African SME fund.	Complete the successful liquidation of SAEF during 2008.

Resources expended:	2007	2006
	\$000	\$000
Grants	6,000	5,250
Direct costs	303	308
Support costs	692	874
Total	6,995	6,432

**Report of the Trustees (continued)
for the year ended 31 December 2007**



In developing countries, Indoor Air Pollution (IAP) – from smoke generated by indoor cooking on open fires and traditional stoves – kills nearly 4,800 women and young children every day. This makes IAP the most lethal killer of the most vulnerable 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 among poorer households through commercial mechanisms that will ensure affordable and genuinely “clean” stoves are made available to poor people on a large scale.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
<p>To conduct market surveys to assess the opportunity for the Breathing Space programme to commence activities in East Africa and Brazil.</p> <p>To continue to provide business support to facilitate the scale-up of activities with existing partners in India, and to commence pilot projects in new states.</p> <p>To catalyse innovation in stove development through innovation awards, and to verify that use of improved stoves significantly reduces IAP by setting up stove testing facilities in India.</p>	<p>Conducted market surveys in East Africa and Brazil.</p> <p>Consolidated scale-up projects in India.</p> <p>Commenced commercial trials to test routes to market for a new affordable improved cookstove in southern India.</p> <p>Selected Envirofit as the Foundation’s new strategic partner to take on the role as a global entity in the sale of improved cookstoves.</p>	<p>Envirofit, the Foundation’s new strategic partner, established locally managed operations in India and assumed oversight of the commercial trials in the country.</p> <p>Envirofit made progress in developing a new improved and affordable cookstove design.</p>	<p>Assist Envirofit in developing a business plan for the scale-up of their operations.</p> <p>Support Envirofit in a significant fund-raising campaign.</p> <p>Develop and implement a global awareness raising strategy for IAP.</p> <p>Establish and implement robust monitoring and evaluation activities to verify the health impacts of cookstoves.</p>

Resources expended:	2007	2006
	\$000	\$000
Grants	2,775	203
Direct costs	2,614	979
Support costs	594	188
Total	5,983	1,370

**Report of the Trustees (continued)
for the year ended 31 December 2007**



Almost 40% 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 1 million people. Without sustainable solutions to urban mobility, many of these cities will be brought to a standstill by congestion, while the smog produced will contribute massively to local and global environmental and health problems.

EMBARQ is a centre of excellence established and managed by the World Resources Institute with the support of the Foundation, that aims to work in partnership with developing country cities to catalyse the design and introduction of environmentally and financially sustainable transport innovations. EMBARQ is already operating in Mexico City and three other Mexican cities, as well as Istanbul, Shanghai and Porto Alegre. In Mexico City, EMBARQ was directly responsible for the introduction of *MetroBus* – a bus rapid transit system carrying over 250,000 passengers every day more quickly, cheaply and safely than previously, while reducing emissions of carbon dioxide and other greenhouse gases.

<i>Objectives</i>	<i>Activites undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
<p>To support the expansion of EMBARQ’s activities in order to meet its target of working in fifteen major developing country cities by 2011 - thus positively impacting the lives of 200 million people and reducing carbon dioxide emissions by many millions of tonnes annually.</p> <p>To seek further funding from other organisations to enable EMBARQ to become financially independent.</p>	<p>Initial discussions undertaken with high level Indian stakeholders about EMBARQ securing a market entry opportunity in the country.</p> <p>Actively participated in trying to secure further financial commitments to EMBARQ by other investors.</p>	<p>A new agreement was signed with Mexico City to extend EMBARQ’s involvement in planning 10 additional bus rapid transit systems. Also, agreements were finalised between EMBARQ and three further Mexican cities.</p> <p>The city government of Porto Alegre, Brazil, accepted EMBARQ’s pathbreaking design of methods of financing the introduction of bus rapid transit systems.</p> <p>A sustainable transport scenarios workshop in Istanbul, led by EMBARQ, resulted in agreement on new emission reduction and bus rapid transit projects.</p>	<p>Leverage further funding and appropriate business skills into EMBARQ to enable it to grow rapidly, and to maximise the share of its revenue coming from fees for services provided to cities and other parties.</p> <p>Secure at least one more major transport “brand” as a financial supporter of EMBARQ.</p> <p>Support EMBARQ’s entry into India via one of the country’s leading cities, and then expand to other cities.</p>

Resources expended:	2007	2006
	\$000	\$000
Grants	2,310	750
Direct costs	110	89
Support costs	267	133
Total	2,687	972

**Report of the Trustees (continued)
for the year ended 31 December 2007**

Energise
&
Excelerate

Across the developing world, 2 billion poor people lack access to affordable and reliable energy services. This negatively impacts upon all aspects of their lives, and is one of the most important constraints on their ability to escape poverty and contribute to the economic development of their countries.

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 infrastructure services (for example, energy, water, sanitation, transport) to the very poor living on \$1 a day or less. Excelerate is a strategic partnership with the Small Scale Sustainable Infrastructure Development Fund (S³IDF) which currently operates in southern India.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To monitor the progress of pilot projects in India and assess opportunities for scale-up.	Supported a new pilot project to test the viability of using biomass from rural villages to create an energy supply for small local industrial plants.	S ³ IDF have approved 80 pro-poor transactions with poor clients in South India, ranging from lighting for street vendors, household energy, local transport and biomass energy.	Continue to monitor and explore new models for pro-poor energy service provision in ways that are financially viable.
To support the development of a viable business plan that would seek to attain the financial independence of S ³ IDF.	Monitored the performance of energy efficient street lighting in Nasik municipality in India and looked into the potential for scale-up of this project.	The management of S ³ IDF took initial steps to strengthen capacity, improve governance, and to improve operational efficiency. The independent due diligence review was not conducted during 2007, and is instead planned for 2008.	Support an independent due diligence of S ³ IDF to assist with the sustainable growth of this venture.
To support an independent due diligence review of S ³ IDF during the year.	Assisted S ³ IDF to develop an interim business plan and commence with implementation.		

Resources expended:	2007	2006
	\$000	\$000
Grants	2,527	88
Direct costs *	66	(118)
Support costs *	286	(5)
Total	2,879	(35)

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

**Report of the Trustees (continued)
for the year ended 31 December 2007**

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>
To monitor the performance of existing Incubator projects, and seek to start the scale-up of those that demonstrated success.	Supported the testing of new energy technologies, including solar heating and solar ovens, and also supported the market testing for sale of biogas systems in Africa.	Helped secure a \$30 million commitment from the Russian government to support GVEP.	Actively manage and support new and existing innovative projects with different partners, in an effort to identify new ways to tackle energy-poverty and energy-environment issues.
To support new and innovative projects with different partners in an effort to identify new ways to tackle energy-poverty and energy-environment issues.	Supported the development of new business models for enhancing pro-poor access to energy services in Africa, together with the Global Village Energy Partnership (GVEP).	The Foundation facilitated the development of private sector led interventions under the African Investment Climate Facility.	
	Supported an assessment as to whether the application of business approaches to supply chain management can be transferred to the development sector.	The Foundation engaged in a constructive dialogue with the Rockefeller Foundation to shape their future plans with respect to African agriculture and Asian cities.	
	Chaired the Technical Secretariat of the African Investment Climate Facility – a new public private partnership.	The first transactions with low carbon initiatives were approved by the LCSF.	
	Monitored the performance of the Low Carbon Seed Fund LLP (LCSF) together with The Carbon Trust.		

Resources expended:	2007	2006
	\$000	\$000
Grants	869	2,850
Direct costs	29	
Support costs	99	452
Total	997	3,302

**Report of the Trustees (continued)
for the year ended 31 December 2007**



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 and market linkages.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
<p>To monitor the progress and impact of projects supported under the partnership with Marks & Spencer (M&S), and support new projects under this partnership.</p> <p>To refine new business models that offer the potential to scale-up pro-poor market access by small-holders and small businesses.</p>	<p>Provided business mentoring and financial support to African producers.</p> <p>Collaborated with M&S to develop a new approach towards securing market access by poorer producers.</p> <p>Established a close relationship with the new African based The Better Trading Company (TBTC) as a new “intermediary”, linking producers and retailers.</p> <p>Supported Agrocel to strengthen their business capacity and production of organic cotton.</p> <p>Maintained a strategic partnership with the Organic Exchange to assist farmers convert to organic cotton production.</p>	<p>Over 850,000 bouquets of wild-harvested flowers from South Africa were sold in over 400 M&S stores in the UK, leading to the creation of over 135 jobs, the protection of 30,000 hectares of ecosensitive land and a financially viable local business.</p> <p>A project set up with Fruits of the Nile is exporting dried organic fruits from Uganda to Tesco and other retailers.</p> <p>Agrocel secured a second contract with M&S for organic cotton from India.</p>	<p>Capture learnings from the partnership with M&S and build relations with other retailers.</p> <p>Provide further business and financial support to TBTC to help them scale-up in Africa.</p> <p>Expand the impact of the sustainable cotton work undertaken by Agrocel, through creation of tools and training provision, and new retailer partnerships.</p> <p>Pilot new approaches towards helping producers of crafts secure market access.</p>

Resources expended:	2007	2006
	\$000	\$000
Grants	1,567	270
Direct costs	399	27
Support costs	217	47
Total	2,183	344

Report of the Trustees (continued) for the year ended 31 December 2007

Other

A small number of initiatives supported in 2007 fell outside our main programme focus. These related to small scale support on energy and environment issues.

Resources expended:	2007	2006
	\$000	\$000
Grants *	(19)	(19)
Direct costs	41	91
Support costs	2	11
Total	24	83

* *Negative amounts 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 2007

Consolidated details of all grants committed or awarded in the year ended 31 December 2007 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2007 will be payable in subsequent financial years (see notes 5, 15 and 16).

<u>Programme</u>	<u>Grantee</u>	<u>Total funding \$000</u>
Aspire		
	Grofin Investment Holdings	
	<i>Pan African scale-up SME Fund</i>	6,000
		6,000
Breathing Space		
	Aprovecho Research Center	
	<i>Controlled Tests on India stoves</i>	27
	Aprovecho Research Center	
	<i>Chinese Stoves Project</i>	4
	Winrock International Institute	
	<i>Meeting on stage 1 in Brazil</i>	7
	Appropriate Rural Technology Institute	
	<i>Commercialisation of Improved Biomass Fuels</i>	6
	Enterprise Works Worldwide	
	<i>Breathing Space Business Plan</i>	15
	Enterprise Works Worldwide	
	<i>Ghana Cookstove project</i>	101
	Envirofit International	
	<i>Groundwork for global Breathing Space entity</i>	89
	Venture Strategies for Health and Development	
	<i>Commercialisation of Improved Cookstoves</i>	92
	Berkeley Air Monitoring Group	
	<i>Next Steps - Programme Monitoring</i>	69
	Kumasi Institute of Technology, Energy & Environment	
	<i>Assessing the feasibility of a market-based biogas promotion in Ghana</i>	87
	Eco Ltd	
	<i>Website & Forum on Indoor Air Pollution</i>	18
	Envirofit International	
	<i>Establishing a Global Cookstove Business</i>	2,000
	Berkeley Air Monitoring Group	
	<i>Monitoring & Evaluating Improved stoves</i>	200
	Center for Entrepreneurship International Health & Development	
	<i>Household stoves in China</i>	60
		2,775
Embarq		
	World Resource Institute (WRI)	
	<i>WRI 25th Anniversary</i>	25
	World Resource Institute	
	<i>The Next Four Billion research</i>	35
	World Resource Institute	
	<i>Embarq funding</i>	2,250
		2,310

Report of the Trustees (continued) for the year ended 31 December 2007

Energise &

Excelerate

Jesus College, Oxford	
<i>J Houghton Research Fellowship</i>	297
Linus Strategic Energy Solutions	
<i>Biomass Based Industrial Fuel</i>	230
The Small-scale Sustainable Infrastructure Development Fund Inc.	
<i>Scaling up the development fund</i>	2,000
	2,527

Incubator

Imperial College	
<i>Low Carbon Seed Fund</i>	27
University of St Andrews	
<i>Private Sector Finance and the Support of Infrastructure</i>	4
Dox Productions Ltd	
<i>Reduction against grant awarded in 2006 *</i>	(14)
Synergos Institute	
<i>Improving the efficiency of the delivery of poverty services</i>	100
Cardano Risk Management	
<i>Development of a Risk Management System</i>	150
ETC Consultants	
<i>Feasibility study for a biogas programme in Kenya</i>	118
Evolve Growing Systems Ltd	
<i>SolaRoof Commercial Demonstration</i>	197
Solar Circle	
<i>Tanzania Solar Oven Project</i>	25
World Agricultural Forum	
<i>2007 World Congress</i>	25
International Business Leaders Forum	
<i>Partnering with African Governments</i>	50
The Rhoda Nsibirwa & William Kalema Trust	
<i>William Kalema Education Trust - 2007 grant</i>	10
Tallberg Foundation	
<i>Supply Chain Management & Accountability</i>	108
Global Village Energy Partnership	
<i>International Management Support</i>	50
Light Years IP	
<i>Light Years IP Business Plan</i>	19
	869

Report of the Trustees (continued) for the year ended 31 December 2007

Trading UP

Colors Fruit (SA) Pty Ltd	
<i>Cancellation of a project, which was awarded a grant in 2006 *</i>	(150)
Altius	
<i>Pan-Africa Pot Pourri Business</i>	125
The Better Trading Company Ltd	
<i>Establishing Equi Earth</i>	190
Integra Foundation	
<i>Laying the Foundation for Expansion of Fairtrade in Central & Eastern Europe</i>	100
Agrocel Industries Ltd	
<i>Agrocel Capacity Building Programme</i>	150
The Better Flower Company	
<i>The Better Flower Company scale-up</i>	317
Haygrove Heaven (Pty) Ltd	
<i>Creating Model Upliftment Programme</i>	250
Earthoil Kenya PTY EPZ Ltd	
<i>Developing a Kenyan Tea Tree Oil business</i>	120
Bearbum Production	
<i>Promotion of Bearbum Company</i>	80
Patin Trading 225 Pty Ltd	
<i>Development of a honey business model - pilot</i>	115
Cape Natural Tea Products	
<i>Development of a South African Rooibos Tea business</i>	200
The Better Trading Company Ltd	
<i>Assessing the potential for a "Planet Card" project</i>	70
	<u>1,567</u>

Other

Counterbalance	Asociata Integra Romania	
	<i>Reduction of grant awarded in 2004 *</i>	(20)
Climate change	Earthscan / James & James	
	<i>Climate Policy Journal</i>	1
		<u>(19)</u>

Total Grants awarded in 2007 **16,029**

* Negative amounts 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 2007

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 annual grant programmes continues to be funded by donations from subsidiaries of Royal Dutch Shell plc. Shell Group has indicated the likely levels of support to 2010, and has made a commitment to donate \$17.6 million in 2008. 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 endowment 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.

Unrestricted reserves have been deliberately accumulated over the period to 2006 due to many of the Foundation's programmes being in the "pilot" phase, and therefore not fully utilising these funds. The intention is that these unrestricted reserves will be utilised over the coming years as the programmes are scaled-up and spun-off.

Endowment 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 2007 showed a positive return of 6.7%, which was in line with the portfolio benchmark return. The equity portfolio returned 9.5% for the period, despite a difficult 2007 in many equity markets. 2007 was a very volatile year, particularly during the second half, as economic news in many markets continued to disappoint and the fallout from the subprime mortgage crisis in the US dominated the news. The return from bond markets during the period was 11.4%, as in an environment of interest-rate cuts and heightened risk aversion, investors sought a safe haven in government bonds worldwide.

The cumulative return since inception to year end 2007 was 56% (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 2007

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 Inc have audited Shell Foundation's 'not for profit' subsidiary, South African Energy Facility, which is included within the consolidated financial statements for 2006 and 2007.

By order of the Board

Roxanne Decyk
Trustee

September 2008

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 2007 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 2007 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, September 2008

Consolidated statement of financial activities for the year ended 31 December 2007

	Note	Unrestricted Funds 2007 \$000	Endowment Funds 2007 \$000	Total Funds 2007 \$000	Total Funds 2006 \$000
Incoming Resources					
<i>Incoming resources from generated funds</i>					
Voluntary					
- Donations	2	16,400		16,400	15,500
- Voluntary Grant Repayment	4	145		145	215
Investment Income	3	1,047	12,560	13,607	12,352
Total Incoming Resources		17,592	12,560	30,152	28,067
Resources Expended					
<i>Cost of generating funds:</i>					
Investment management costs			(359)	(359)	(356)
Total cost of generating funds			(359)	(359)	(356)
<i>Charitable Activities</i>					
- Aspire		(6,995)		(6,995)	(6,432)
- Breathing Space		(5,983)		(5,983)	(1,370)
- Embarq		(2,687)		(2,687)	(972)
- Energise & Excelerate		(2,879)		(2,879)	35
- Incubator		(997)		(997)	(3,302)
- Trading Up		(2,183)		(2,183)	(344)
- Other		(24)		(24)	(83)
Total Charitable Activities	6	(21,748)		(21,748)	(12,468)
Governance costs	8	(372)		(372)	(368)
Exchange gain/(loss)		43	147	190	185
Total charitable expenditure		(22,077)	147	(21,930)	(12,651)
Total resources expended		(22,077)	(212)	(22,289)	(13,007)
Net incoming resources before revaluations and investment asset disposals					
Realised gains on the revaluation and disposal of Investment assets		(4,485)	12,348	7,863	15,060
Unrealised gains/(losses) on the revaluation and disposal of Investment assets			9,391	9,391	139
			3,230	3,230	29,012
Net Movement in Funds		(4,485)	24,969	20,484	44,211
Fund balances brought forward at 1 January 2007		15,947	372,730	388,677	344,466
Fund balances carried forward at 31 December 2007		11,462	397,699	409,161	388,677

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 2007

	2007 \$000	2006 \$000
Gross Charitable Income	16,400	15,500
Total Expenditure	(22,289)	(13,007)
Net surplus / (deficit) before investment asset disposals	(5,889)	2,493
Investment Income	13,607	12,352
Other Income	145	215
Realised (loss)/gain on investment asset disposals	9,391	139
Net surplus of income over expenditure for the year	17,254	15,199

Balance sheets as at 31 December 2007

	Note	Shell Foundation 2007 \$000	Shell Foundation 2006 \$000	Shell Foundation Group 2007 \$000	Shell Foundation Group 2006 \$000
Fixed Assets					
Investments (at market value)	12	418,011	383,523	418,011	383,523
Current Assets					
Debtors: amounts falling due within one year	13	15	3,436	34	3,436
Cash at bank & in hand	14	3,415	9,074	4,133	9,719
		3,430	12,510	4,167	13,155
Creditors: amounts falling due within one year	15	(11,657)	(6,071)	(11,863)	(6,370)
Net Current Assets/(Liabilities)	18	(8,227)	6,439	(7,696)	6,785
Total Assets less Current Liabilities		409,784	389,962	410,315	390,308
Creditors: amounts falling due after more than one year	16	(1,154)	(1,631)	(1,154)	(1,631)
Net Assets		408,630	388,331	409,161	388,677
Represented by:					
Endowment Funds – including a revaluation reserve in \$000 of 72,480 (2006: 69,345)	17	397,699	372,730	397,699	372,730
Unrestricted Funds	17	10,931	15,601	11,462	15,947
Total Funds		408,630	388,331	409,161	388,677

The accompanying notes form part of these financial statements.

The financial statements on pages 21 to 32 were approved by the trustees and signed on their behalf by:

Roxanne Decyk
Trustee

September 2008

**Consolidated cash flow statement
for the year ended 31 December 2007**

	Note	2007		2006 restated *	
		\$000	\$000	\$000	\$000
Net cash inflow from operating activities	19		(514)		460
Returns on investments and servicing of finance					
Interest Income (unrestricted)		234		230	
Investment Income (unrestricted)		813		645	
Investment income received endowment funds		12,679		10,970	
Investment income attributable to endowment funds		(12,679)		(10,970)	
Investment income due to Voluntary Grant repayments		145		215	
Total returns on investments and servicing of finance			1,192		1,090
Capital expenditure and financial investment					
<u>Investing Activities</u>	12				
Purchase of investments		(76,607)		(42,468)	
Sale of investments		71,933		38,450	
(Purchase)/Sale of Investments Fidelity				(4,000)	
Dividends reinvested Fidelity		(813)		(645)	
<u>Hedging Activities</u>	12				
Payments on forward foreign exchange contracts		(1,453,451)		(1,208,901)	
Proceeds on forward foreign exchange contracts		1,440,334		1,204,765	
Gain/(loss) on foreign exchange		186		188	
Cash flow attributable to endowment investments		17,605		7,965	
Total capital expenditure and financial investment			(813)		(4,646)
Financing					
Investment income retained within endowment funds		12,679		10,970	
Cash flow attributable to endowment investments		(17,605)		(7,965)	
Cash expended on endowment fund fees		(525)		(408)	
Total Financing			(5,451)		2,597
Decrease in cash in the year			(5,586)		(499)
Analysis of change in cash					
Cash balance at 1 January			9,719		10,218
Cash balance at 31 December			4,133		9,719
Decrease in cash in the year			(5,586)		(499)

* Certain comparatives have been reclassified in line with the current year presentation. There is no overall impact to the decrease in cash in the year.

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2007

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. As at 31 December 2007 the Foundation had net current liabilities. The Trustees are confident that the Foundation is able to meet all its current and long term liabilities, as the cash invested in institutional cash funds, disclosed within fixed assets, is accessible with one day's notice. Also, Shell Group has indicated the likely level of annual donation to the Foundation until 2010, and has made a commitment to donate \$17.6 million in 2008.

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 0.5002, and the average exchange rate used to translate Rand to US dollars was Rand/USD 6.798.

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) 7,678 (2006: 14,886) and 20,299 (2006: 44,037) respectively. The disclosures listed in paragraph 401 of the Charities SORP have not been given, as the subsidiary is not material to the group.

The Foundation works in partnership with other organisations to fulfil its objectives. These partnerships are of a strategic nature, apart from in the case of The Low Carbon Seed Fund LLP, in which the Foundation is a non-beneficial partner. As the Foundation has no right to a share in the results of the LLP it has not been treated as a participating interest, and as such the results of this partnership are not consolidated in the Foundation's Group accounts. The net loss and net assets of the LLP for the year ended 31 July 2007 were £45,638 and £454,363 respectively.

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. There were no donated services in 2006 or 2007.

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.

Notes to the financial statements (continued) for the year ended 31 December 2007

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.

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 shown separately 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 2007

2 Donations Received

	2007 \$000	2006 \$000
Cash		
Corporate Donations:		
Shell Trading International Ltd	16,400	15,500
	16,400	15,500

3 Investment income

	Shell Foundation 2007 \$000	Shell Foundation 2006 \$000	Shell Foundation Group 2007 \$000	Shell Foundation Group 2006 \$000
Interest on Cash Deposits	989	862	1,047	875
Fixed Interest Securities	6,911	6,604	6,911	6,604
Dividends	5,649	4,873	5,649	4,873
	13,549	12,339	13,607	12,352

4 Voluntary repayments

	Shell Foundation 2007 \$000	Shell Foundation 2006 \$000	Shell Foundation Group 2007 \$000	Shell Foundation Group 2006 \$000
Voluntary part repayment of grant from Empowerment through Energy Fund			145	215
			145	215

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 2006 and in 2007 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.

The members of SAEF met on 4 October 2007 and agreed to the voluntary winding-up of SAEF, as it has now completed its purpose. The certificate of confirmation of the liquidation was issued by the Registrar of Companies and Close Corporations in South Africa on 14 March 2008.

Notes to the financial statements (continued) for the year ended 31 December 2007

5 Grants Payable

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Grants payable brought forward	(6,748)	(9,035)	(6,998)	(9,035)
Payments	11,015	11,679	11,067	11,429
Grants payable within 1 year	10,608	5,117	10,806	5,367
Grants payable after 1 year	1,154	1,631	1,154	1,631
Grants awarded in the year	16,029	9,392	16,029	9,392

A full list of grants awarded in the year ended 31 December 2007 is included in the Trustees' Report (pages 15 to 17).

6 Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2007 \$000	2006 \$000
Aspire	(6,000)	(303)	(692)	(6,995)	(6,432)
Breathing Space	(2,775)	(2,614)	(594)	(5,983)	(1,370)
Embarq	(2,310)	(110)	(267)	(2,687)	(972)
Energise & Excelerate	(2,527)	(66)	(286)	(2,879)	35
Incubator	(869)	(29)	(99)	(997)	(3,302)
Trading Up	(1,567)	(399)	(217)	(2,183)	(344)
Other	19	(41)	(2)	(24)	(83)
Total for 2007	(16,029)	(3,562)	(2,157)	(21,748)	
Total for 2006	(9,392)	(1,376)	(1,700)		(12,468)

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	2007 \$000	2006 \$000
Manpower costs (see note 10)	(1,223)	(949)	(2,172)	(1,539)
External services	(1,732)	(512)	(2,244)	(578)
Communications	(103)	(395)	(498)	(378)
Travel	(423)	(144)	(567)	(467)
Training	(48)	(10)	(58)	(28)
Sundry	(33)	(147)	(180)	(86)
Total	(3,562)	(2,157)	(5,719)	(3,076)

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 2007, Shell Group companies account for \$229,998 of expenditure on normal business terms.

Notes to the financial statements (continued) for the year ended 31 December 2007

8 Governance Costs

	2007	2006
	\$000	\$000
Manpower costs (see note 10)	(260)	(293)
Audit fees	(57)	(32)
Publications	(13)	
Trustee expenses	(9)	(14)
Legal fees	(33)	(10)
Other		(19)
Total	(372)	(368)

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 2007 and 2006 is a \$4,260 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 three trustees totalling \$9,457 (2006: \$14,489 in respect of two 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 10.2 (2006: 7.7).

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:

	2007	2006
	\$000	\$000
Salaries	(1,495)	(927)
Social security	(154)	(92)
Pension costs	(269)	(118)
	(1,918)	(1,137)

The number of Shell Group employees working on Foundation activities whose emoluments amounted to over \$120,000 in the year was 4 (2006: 2).

Notes to the financial statements (continued) for the year ended 31 December 2007

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 \$10,870 of tax charges, which is included in sundry expenditure.

12 Investments – charity and group

	Market Value 01-Jan-07 \$000	Purchases at cost/ Deposits \$000	Sale Proceeds/ Withdrawals \$000	Gains/ (Losses) \$000	Market Value 31-Dec-07 \$000
Fixed Interest Securities					
UK public sector quoted	12,153	2,221	(14,931)	557	-
Overseas public sector quoted	132,956	37,540	(181,543)	11,047	-
Overseas quoted	196	-	(35)	(161)	-
	145,305	39,761	(196,509)	11,443	-
Pooled Investment Vehicles					
Overseas bonds	-	172,706	(8,348)	(1,116)	163,242
Overseas equities	226,711	13,993	(13,666)	15,714	242,752
	226,711	186,699	(22,014)	14,598	405,994
Forward Foreign Exchange Contracts	(3,897)	1,453,451	(1,440,334)	(13,420)	(4,200)
Sub-Total	368,119	1,679,911	(1,658,857)	12,621	401,794
Cash invested in institutional cash funds	15,404	813			16,217
Totals	383,523	1,680,724	(1,658,857)	12,621	418,011

As at the year end the Foundation held equity investments valued at \$243 million, benchmarked to the MSCI World Index, held with State Street Global Advisors in a Common Trust Fund, and bond investments valued at \$163 million, benchmarked to a World Government Bond Index. Total assets invested in Common Trust Funds at the year-end were \$406 million. Cash invested in institutional cash funds represents cash invested in Fidelity Institutional Cash Fund plc.

13 Debtors – charity and group

	Shell Foundation 2007 \$000	Shell Foundation 2006 \$000	Shell Foundation Group 2007 \$000	Shell Foundation Group 2006 \$000
Amounts falling due within one year:				
Other Debtors	15	3,436	34	3,436

Other debtors primarily relate to investment activities.

Notes to the financial statements (continued) for the year ended 31 December 2007

14 Cash at bank and in hand – charity and group

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Cash at Bank	3,415	9,074	4,133	9,719

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
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Grants Payable	10,608	5,117	10,806	5,367
Trade Creditors – Shell International Limited	705		705	
Accruals – Shell International Limited	344	954	344	954
Accruals – Other			8	49
	11,657	6,071	11,863	6,370

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

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Total Grants payable	11,762	6,748	11,960	6,998
Less amounts falling due within one year (note 15)	(10,608)	(5,117)	(10,806)	(5,367)
	1,154	1,631	1,154	1,631
Represented by:				
Grants payable in greater than one year but less than two years	857	1,119	857	1,119
Grants payable in greater than two years	297	512	297	512
	1,154	1,631	1,154	1,631

Notes to the financial statements (continued) for the year ended 31 December 2007

17 Group Funds

	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	372,730	12,560	(212)	12,621	397,699
Unrestricted Funds	15,947	17,592	(22,077)		11,462
	388,677	30,152	(22,289)	12,621	409,161

18 Analysis of net assets between funds

	Note	Unrestricted Funds 2007 \$000	Endowment Funds 2007 \$000	Shell Foundation Group 2007 \$000	Shell Foundation Group 2006 \$000
Fixed Assets					
Investments (at market value)	12	20,512	397,499	418,011	383,523
Current Assets					
Debtors: amounts falling due within one year	13	19	15	34	3,436
Cash at bank & in hand	14	3,948	185	4,133	9,719
Creditors: amounts falling due within one year	15	(11,863)		(11,863)	(6,370)
Net Current Assets/(Liabilities) *		(7,896)	200	(7,696)	6,785
Total Assets less Current Liabilities		12,616	397,699	410,315	390,308
Creditors: amounts falling due after more than one year	16	(1,154)		(1,154)	(1,631)
Net Assets		11,462	397,699	409,161	388,677

* For 2007 the Foundation has net current liabilities. However, as the cash invested in institutional cash funds, disclosed within fixed assets, is accessible with one day's notice, the Foundation is able to meet all its current and long term liabilities.

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

	Shell Foundation Group 2007 \$000	Shell Foundation Group 2006 \$000
Continuing activities		
Net incoming / (outgoing) resources - unrestricted funds	(4,485)	3,813
Investment income - unrestricted funds	(813)	(644)
Net unrealised exchange (gain) / loss on unrestricted investment funds		(1)
Increase in net creditors – unrestricted funds	5,152	(2,262)
Voluntary Grant repayment	(145)	(215)
Interest Income on bank accounts	(234)	(230)
Difference in exchange on brought forward balances	11	(1)
	(514)	460

Notes to the financial statements (continued) for the year ended 31 December 2007

20 Capital commitments

The Foundation had no capital commitments as at 31 December 2007 (2006: \$ 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 three are or were directors or officers of certain Shell Group companies: Mr Jeroen van der Veer, Mr Malcolm Brinded and Ms Roxanne Decyk. 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.

Since 1998, Dr Kalema has been Board Chairman of the Development Finance Company of Uganda (DFCU) and of its related financial institutions. 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. Dr Kalema is also a trustee of the Investment Climate Facility, a multi-donor initiative, to which the trustees of the Foundation approved a commitment to in November 2005 (note 22). Dr Kalema is also a trustee of The Rhoda Nsibirwa & William Kalema Trust, an education trust registered in Uganda, which received a grant of \$9,966 from the Foundation during the year.

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 2006. Sir John Houghton is also a co-donor to Jesus College, Oxford University, for the Sir John Houghton Research Fellowship, to which the Foundation awarded a grant of £150,000 in 2007.

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 2007 there were no contingent liabilities in the form of formal offers ("Letters of Understanding") issued but pending acceptance. All accepted offers of grants have been included in charitable expenditure for the year. As at 31 December 2007 the Foundation had contingent liabilities of \$9.1 million in respect of the following:

<u>Organisation</u>	<u>\$000</u>
A. EMBARQ project - In 2007 grants of \$2.3 million were awarded to the World Resources Institute (WRI). In addition, during December 2007 a contingent liability of \$1.5 million per year for the years 2008 – 2011 was entered into, which is conditional upon the future performance of the grantee.	6,000
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
C. Envirofit – This organisation were awarded grants totalling \$2.1 million during 2007, and on 18th September 2007 a contingent liability was entered into with Envirofit for a further \$1.6 million, which is expected to be awarded in 2008.	1,605
	9,105