



**SHELL
FOUNDATION**

Shell Foundation

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

Trustees' report and financial statements for the year ended 31 December 2009

Company Registered Number: 4007273
Charity Registered Number: 1080999

Shell Foundation

Trustees' report and financial statements for the year ended 31 December 2009

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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 Malcolm Brinded, C.B.E.	Chairman (current)	Chair from:	1 July 2009
Mr Jeroen Van der Veer	Chairman (former)	Resignation date:	30 June 2009
Mr Peter Voser		Appointment date:	1 July 2009
Ms Roxanne Decyk		Resignation date:	30 June 2009
Mr Ben van Beurden		Appointment date:	1 July 2009
Sir John Houghton	Nominated trustee		
Dr William Kalema	Nominated trustee		
Dr Pieter Winsemius	Nominated trustee		

Principal Officers

Dr Chris West	Director		
Shell Corporate Secretary Ltd	Secretary (current)	Appointment date:	18 November 2009
Mr David Sanger	Secretary (former)	Resignation date:	18 November 2009
Mrs Amanda 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

Shell Foundation

Report of the Trustees for the year ended 31 December 2009

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 2009.

The information with respect to trustees, directors, officers and advisors set out on page 3 forms part of this report. The 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, as amended by the Charities Act 2006.

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 Commission as a charity on 2 June 2000 (charity registration number 1080999). The Foundation also has charity registration in The Netherlands as of 14 February 2008. The 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, and was liquidated on 14 March 2008.

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 information 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 confirm 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.
- Certain actions that are above the authority level of the Director or Management Team.

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 2009

Statement of Trustees' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

In so far as the trustees are aware:

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

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

Risk Management

The trustees have identified the major risks to which the Foundation is exposed. The level of exposure for each risk is assessed by considering the likelihood of occurrence, the potential consequences of occurrence and the effectiveness of existing controls in place to mitigate the risk. The trustees review these assessments at least twice a year, at their board meetings in June and November.

Of the 10 key risks identified, none are currently regarded as posing an unacceptable residual exposure. Two key areas of risk for the Foundation are the reliance on strategic partners to take programmes forward and build both developmentally sound and financially viable businesses and the need for sufficient, suitably skilled staff to support these partners and identify and develop new initiatives. These risks continue to be managed through the careful selection process for new strategic partners, and through staff recruitment and training in line with a staff competency framework, which was developed during 2009. Another key risk is the performance of the endowment fund, particularly after the losses incurred during 2008 and as we approach the end of 2010 after which the Foundation must rely on its endowment for unrestricted income. In response to this risk, the trustees appointed an external adviser to review the investment objectives and strategy. They also secured in-principle agreement from the member to provide additional 'top-up' unrestricted donations during 2011-2013 in the event that the endowment does not generate sufficient returns to achieve our objectives and maintain impact.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2009

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 in the Shell Foundation Business Principles that the charity's activities will always be consistent with achieving its mission and cannot promote the commercial interests of the Shell Group, and that any benefit that may accrue to the Shell Group from the Foundation's activities will be incidental and outweighed by the contribution to the Foundation's charitable objectives. The Foundation operates an assurance system to identify, measure and validate this.

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 will continue to receive annual donations of funds from Shell Group companies up to 2010.

Grant Commitments

The Foundation identifies strategic partners it wants to support in order to further its charitable purposes for the public benefit, and does not encourage the submission of unsolicited grant applications. Any benefit received by these strategic partner organisations is incidental to the objects of the Foundation's work.

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 to ensure they remain aligned to the Foundation's charitable objectives. 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 2009

Objectives, Activities and Achievements for the Public Benefit

Objectives for the Public Benefit

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 via grants made through its Breathing Space, EMBARQ, and Exceleerate programmes.*
2. The advancement of education of young persons and adults. *The Foundation has pursued this objective via grants made through its African Leadership 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 2009.*
4. The relief of poverty, suffering, hardship and distress. *This objective has been furthered via grants made through all the Foundation's programmes.*

The trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit in section 4 of the Charities Act 2006 when reviewing the Foundation's aims and objectives and when considering grants to be awarded. 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 for the Public Benefit

The objectives, activities and achievements for the Foundation's programmes to further its charitable purposes for the public benefit are summarised on the following pages.

Report of the Trustees (continued) for the year ended 31 December 2009



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 averse 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.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Monitor performance of all four existing regional SME funds in Africa.	Engaged actively in the governance and performance assessment of all funds (total now \$250 million under management by GroFin).	Funds performed well, with GroFin meeting all its targets despite the global downturn. Over 4,500 jobs have now been created, and nearly 28,000 livelihoods improved.	Closely monitor performance of all existing regional SME funds in Africa to ensure strong financial and development impacts.
Secure an additional \$10 million commitment to the GroFin Africa Fund (GAF).	Participated in discussions with interested investors (for example, development finance institutions).	\$30 million was raised from investors. GAF closed at \$170 million in September 2009 – the largest fund in the world of its kind.	Actively participate in the monitoring and assessment of GAF.
Provide further targeted support for capacity development of the Growth Finance sector.	Continued to support Optima – an African organisation the Foundation helped to establish for this purpose in 2008.	Training materials and several successful courses have been delivered in Africa and India by Optima.	Work with Optima to refine their business plan and consider ways to scale-up their activities.
Extending Growth Finance beyond Africa.	Explored further the potential to extend the partnership with GroFin and jointly establish operations in India.	India confirmed as the appropriate target market for the expansion of the GroFin model. Early investor interest in committing funds to a GroFin India Fund.	Conduct detailed market assessment of Indian SME sector and develop a business plan for GroFin India. Support the recruitment of key staff and commence marketing efforts to potential investors.

Resources expended:	2009	2008
	\$000	\$000
Grants	530	-
Direct costs	57	485
Support costs	54	73
Total	641	558

Report of the Trustees (continued) for the year ended 31 December 2009



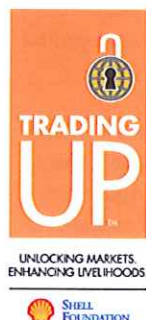
Almost 40% of the world's population live in megacities – with more than 10 million residents. Without sustainable solutions to urban mobility, many of these cities will be brought to a standstill by congestion, while the smog produced will contribute massively to local and global environmental and health 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. Since 2002, EMBARQ has grown steadily beyond its core centre of transport expertise in Washington DC to include a network of regional centres in Mexico, Brazil, Peru, India and Turkey. In Mexico City, EMBARQ was directly responsible for the introduction of *MetroBus* – a bus rapid transit system now carrying over 450,000 passengers every day more quickly, cheaply and safely than previously, while reducing emissions of carbon dioxide and other greenhouse gases.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To support the scale-up of EMBARQ to enable it to grow rapidly and offer real solutions to urban transport problems.	Appointed a dedicated programme manager to support EMBARQ full time. Conducted a three month intensive strategic review by Shell management consultants, who made recommendations for future strategy to the EMBARQ Advisory Board.	EMBARQ now operates over 20 projects in megacities around the world. 185,000 tonnes of CO ₂ was saved last year in Mexico City and Istanbul alone. Recommendations upheld to ensure EMBARQ has maximum impact while fulfilling its objective of long-term financial sustainability.	Assist EMBARQ to scale-up in terms of number of people served, number and impact of projects delivered and geographic footprint. Support EMBARQ to implement a new strategy to focus their portfolio of services, deepen their engagement in Latin America, and scale-up their engagement in India and Turkey.
To secure a new global strategic partner for EMBARQ.	Helped EMBARQ secure core funding for a transitional period until financial sustainability is reached.	Secured long-term funding from Bloomberg Philanthropies totalling \$30 million over five years.	Decrease EMBARQ's reliance on grant funding over five years by testing and implementing new revenue streams.
To establish EMBARQ as a recognised "solutions-provider" to urban transport problems in south east Asia.	Hosted a strategy workshop with EMBARQ India in Delhi in Q4 2009 to establish a detailed scale-up strategy.	EMBARQ India was established and staffed ready to implement scale-up and secure local donors/business partners.	Continue to support EMBARQ as it expands operations in India – now identified as a key target growth area in 2010. Assist EMBARQ in assessing timeline and strategy for entry into China.

Resources expended:	2009	2008
	\$000	\$000
Grants	1,500	1,500
Direct costs	622	73
Support costs	195	237
Total	2,317	1,810

Report of the Trustees (continued) for the year ended 31 December 2009



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, these 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.

Shell Foundation helped to set up The Better Trading Company (TBTC) in 2008 as Trading UP's first "ethical agent" to act as a commercial intermediary between small-scale agricultural producers and global retailers.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To continue to provide support to TBTC and develop their product range and track record as the pioneering "ethical agent".	Worked closely with TBTC to support the expansion of their activities supporting farmers of products as diverse as wild flowers, rooibos tea, tea tree and honey.	TBTC enjoyed rapid market-led growth in 2009, thanks in large part to a direct account with Waitrose and has now improved just under 5,000 livelihoods.	Support TBTC to secure finance through partnerships or development finance institutions to enable the scale-up of their operations.
To establish an institution in India as the intermediary to enable the scale-up of sustainable cotton production.	Continued work with C&A and Organic Exchange to develop an ethical agent for this purpose.	CottonConnect Global and CottonConnect India were launched in Q4 2009. These new businesses will work with retailers and brands to make the world's cotton supply chains more sustainable.	Help build CottonConnect capacity in India to offer farmers training on sustainable farming practice and link retailers with sustainable cotton producers.
To ensure the long-term sustainability of CottonConnect (CC) and TBTC as self-financing entities and promote the "ethical agent" concept to major retailers.	Hosted a roundtable in The Netherlands attended by global retailers, financiers, NGOs and governments.	The partnership also helped C&A sell over 18 million organic cotton garments to their customers in 2009.	Establish the CottonConnect Global business to encourage more global brands to convert to sustainable cotton and enable replication of this model in other regions of the world. Host a similar roundtable in India in 2010 and create a targeted communications plan to promote the CC/TBTC model across the world.

Resources expended:	2009	2008
	\$000	\$000
Grants	2,235	2,596
Direct costs	548	778
Support costs	357	509
Total	3,140	3,883

Report of the Trustees (continued) for the year ended 31 December 2009



SMOKE-FREE HOMES.
HEALTHY FAMILIES.



In developing countries, Indoor Air Pollution (IAP) – from smoke generated by indoor cooking on open fires and traditional stoves – kills over 1.5 million women and young children each year. Claiming one life every 20 seconds, IAP is the fourth 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>
To maintain support to our strategic partner Envirofit, including new product development and fund-raising efforts.	The Foundation provided ongoing business advice and strategic guidance to Envirofit in 2009.	Envirofit launched a new range of improved stoves in India in Q3. The new stoves are capable of further reductions in emissions and fuel use at lower unit cost.	Help Envirofit to become entirely self-financing, whilst continuing to bring new fit-for-purpose products to market (e.g. charcoal stoves).
To support ongoing sales and distribution in India, as well as phased expansion to other states.	Helped Envirofit to gather market research and review their commercial strategy to target rural communities in south west India.	Total stove sales now exceed 100,000 since inception. Envirofit have begun to grow their operations nationwide.	Support ongoing sales and help Envirofit as they expand into the rest of India and explore African markets in 2010.
To continue independent monitoring and evaluation (M&E) efforts to validate IAP reductions.	The strategic partnership with Berkeley Air was extended to provide independent evaluation of Envirofit stoves.	Independent monitoring by Berkeley Air verifies both reduced IAP levels and improved fuel savings over traditional stoves.	Expand M&E studies to include latest stove designs in the field and socioeconomic and health assessments of IAP impact.
To raise awareness of the dangers of IAP amongst India’s diverse and hard to reach rural population.	Started an intensive social awareness-raising campaign to combat IAP in Shimoga district in Karnataka state. Three stove manufacturers are now part of the campaign.	The IAP campaign roadshow brought a variety of interactive awareness activities to over 200 villages in Q3 2009. The state government of Karnataka has now joined the campaign.	Reach 1,500 villages in Shimoga early in 2010 and then launch a wider campaign in southern India. This will involve micro-finance institutions to make the stoves more accessible and affordable.

Resources expended:	2009	2008
	\$000	\$000
Grants	3,617	5,348
Direct costs	993	1,383
Support costs	423	1,015
Total	5,033	7,746

Report of the Trustees (continued) for the year ended 31 December 2009



DEVELOPING SKILLS.
BOOSTING PROSPERITY.



Across the developing world, two billion poor people lack access to affordable and reliable energy services. There are significant gaps between demand for modern energy services and the supply of appropriate technology and enterprise to deliver these – especially in rural areas not connected to the energy grid. 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.

Excelerate aims to support small and growing enterprises that provide modern energy services to the poor in ways that are financially viable and scaleable. As well as enhancing access to energy, the programme will realise reductions in carbon emissions through an “enterprise solutions to climate change” approach. In 2008, the Foundation selected India as the initial focus for developing the Excelerate programme.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To provide the skills and finance to local entrepreneurs to assist them with the start-up and growth of businesses providing modern energy services to the poor.	Provided direct support to eight enterprises involved in the sale and distribution of household energy products, off-grid community electrification schemes and energy efficiency.	The Foundation has enabled Husk Power Systems (HPS) to commence installation of 12 rice husk gasification power plants in Bihar state, India. This will provide electricity to 24,500 villagers with access to energy – many for the first time.	Support HPS to secure financing of \$1 million to enable further expansion of their sustainable gasification power plants. The Foundation will also provide business support to help HPS to build capacity, ensure managed growth and scale up. Continue to closely engage with partners and monitor performance of existing direct grants.
To establish appropriate consumer financing schemes that enable poor to purchase modern energy products.	Engaged with a number of Indian finance and microfinance institutions in 2009.	Development of a new possible channel for energy product sales through microfinance groups.	Continue work with microfinance institutions. Enable the creation of a dedicated SME energy fund in India in 2010.

Resources expended:

	2009	2008
	\$000	\$000
Grants *	1,547	(912)
Direct costs	178	70
Support costs	159	69
Total	1,884	(773)

* Negative amounts represent the termination of a grant awarded in a prior year

Report of the Trustees (continued) for the year ended 31 December 2009

African Leadership

Green shoots of hope for a better future are emerging across Africa, and leadership is critically important to turn these green shoots into solid sustainable development. Political leadership is of course a necessity, but equally good governance in all sectors and at all levels of society is crucial to Africa's future.

The African Leadership programme will seek to equip a new generation of African leaders – in business, the community, media, government, civil society, and in academia – with the skills and networks necessary for effective change. The programme will be developed and implemented in strategic partnership with LEAD – an international non-profit organisation that has delivered a core leadership programme in Africa since 1992 as part of its wider mission to inspire leadership for a sustainable world.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To design an updated leadership programme that will be piloted by LEAD Africa in 2010.	<p>Reviewed the existing leadership programme and updated/developed new modules as appropriate.</p> <p>Reviewed countries in which to pilot the new programme.</p> <p>Ensured an appropriate governance structure was put in place to oversee the implementation of the pilot programme.</p>	<p>New updated curriculum developed that includes new modules on leadership, business principles and ethical decision-making.</p> <p>Senegal and Nigeria selected as two pilot countries.</p> <p>Africa Steering Committee established and operational, and new "Learning and Advisory Board" created.</p>	Pilot programme to commence implementation in March 2010, with success measured against defined Key Performance Indicators.

Resources expended:	2009	2008
	\$000	\$000
Grants	147	-
Direct costs	101	-
Support costs	23	-
Total	271	-

Report of the Trustees (continued) for the year ended 31 December 2009

Incubator The Incubator programme aims to test a diverse range of innovative projects managed by different partners to see which, if any, offer the potential to be both sustainable and scalable 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 maintain a limited portfolio of incubator projects that add value to existing programmes or represent solution-orientated approaches to issues consistent with the Shell Foundation mission.	<p>The biggest Incubator initiative of 2009 was the Foundation's support for the Investment Climate Facility for Africa – to improve the business landscape of Africa by removing obstacles to private sector investment.</p> <p>Shell Foundation also helped IP Business LLC to expand their work capturing the IP value associated with agricultural production by poor farmers in Africa; and NoPC Solutions to pilot a low-cost, energy-efficient computing solution for schools in Tanzania.</p>	In total \$140 million is now under ICF management (the Foundation contributed \$0.9 million in 2008 as a founding party). To date, \$55 million has been committed to 25 projects across Africa. Shell Foundation participated in a independent mid-term review of ICF to enhance future impact and effectiveness.	<p>Continue active involvement with a limited portfolio of incubator projects.</p> <p>In particular, test new initiatives with new partners relating to enterprise solutions to climate change.</p>

Resources expended:	2009	2008
	\$000	\$000
Grants *	(922)	883
Direct costs	110	253
Support costs	33	171
Total	(779)	1,307

* Negative amounts represent the termination of a grant awarded in a prior year

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2009

Details of all grants awarded in the year ended 31 December 2009 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2009 will be payable in subsequent financial years (see notes 5, 16 and 17).

<u>Programme</u>	<u>Grantee</u>	<u>Total funding \$000</u>
Aspire	Optima Training (Pty) Ltd <i>Capacity building of service providers to the SME sector</i>	280
	The Aspen Institute <i>Aspen Network for Development Entrepreneurs: Capacity Development Fund</i>	250
		530
EMBARQ	World Resource Institute (WRI) <i>2009 Funding</i>	1,500
		1,500
Trading UP	Better Capital Limited <i>Termination of project to enable the building of transparent sustainable supply chains from grower to retailer through on the ground investment in agriculture and horticulture</i>	(1,100)
	Cotton Connect Limited <i>Sustainable cotton scoping and initial set up budget (Part 1)</i>	291
	Organic Exchange <i>Scaling-up sustainable cotton</i>	190
	Stockford Ltd (The Better Trading Company) <i>Creation of a scale-up intermediary for Trading UP small business model</i>	2,000
	av CottonConnect (South Asia) Pvt Ltd <i>Scaling-up sustainable cotton in India with C&A and Organic Exchange</i>	855
	Difference in exchange arising from prior period grants	(1)
		2,235
Breathing Space	Appropriate Rural Technology Institute (ARTI) <i>Termination of project on the commercialisation of improved biomass fuels and cooking devices in Maharashtra</i>	(50)
	Berkeley Air Monitoring Group <i>Strategic partnership for monitoring and evaluation</i>	365
	Development Alternatives <i>Termination of project on scale-out system for commercialisation of clean indoor air solutions</i>	(175)
	Envirofit <i>Scale-up of India cookstoves business - Phase 2</i>	3,300
	Samuchit Enviro Tech (SET) Pvt Ltd <i>Termination of project on the commercialisation of improved biomass fuels and cooking devices in Maharashtra</i>	(33)
	School of Public Health – University of California at Berkeley <i>Global comparative risk assessment for household solid fuel use</i>	85
	Navya Disha <i>IAP (Indoor Air Pollution) awareness raising and consumer financing in India</i>	125
		3,617

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Report of the Trustees (continued) for the year ended 31 December 2009

Excelerate	D.Light Design Inc		
	<i>Solar lantern market creation and penetration at the bottom of the pyramid</i>		215
	E+Co		
	<i>Establishment of an E+Co business innovation unit</i>		210
	Emergence BioEnergy Inc (EBI)		
	<i>Development of the EBI renewable energy platform business model</i>		250
	Gram Oorja Solutions Pvt Ltd		
	<i>India SME energy fund</i>		180
	Husk Power Systems		
	<i>Rural electrification via rice husk gasification in Bihar (2nd Round)</i>		279
	SEDEMAC Mechatronics Pvt Ltd		
	<i>Commercialisation of low cost fuel efficiency technologies for small engines in India</i>		194
SELCO Solar Light Private Ltd			
<i>Establishing a financing facility for solar home systems</i>		212	
Difference in exchange arising from prior period grants		7	
			1,547
African Leadership Programme	LEAD International		
	<i>LEAD Africa preparatory phase</i>		147
			147
Incubator	IP Business LLC		
	<i>IP social investment vehicle - entering the scale-up phase</i>		50
	Imperial College		
	<i>Termination of Low Carbon Seed Fund project</i>		(974)
	NoPC Solutions		
	<i>Energy efficient computing in Tanzania</i>		66
	The John Ray Initiative		
	<i>General support for work on the environment and development- 2008 contribution</i>		8
	UNECA		
	<i>Initiative for Central Africa - improving cross-border business climates in Central Africa 2006-2009 - repayment of unused grant</i>		(38)
University of St Andrews			
<i>Private sector finance and the support of infrastructure as a source of economic growth - repayment of unused grant</i>		(35)	
Difference in exchange arising from prior year grants		1	
			(922)
Total grants awarded in 2009			8,654

* Negative amounts represent a reduction, usually due to the project being completed for less than the grant total originally awarded, or due to the termination of a grant awarded in a prior year.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2009

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 continue to be funded by donations from subsidiaries of Royal Dutch Shell plc. After 2010, the Foundation's principle funding sources will be its endowment fund. Shell Group has made a commitment to donate \$20 million in 2010, and has agreed "in principle" to some additional funding during 2011-2013 in the event that the endowment does not generate sufficient income for the charity to achieve its objectives and maintain impact.

Reserves

Until the end of 2010 the 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, and in the meantime the annual programme will be financed by donations from subsidiaries of Royal Dutch Shell plc. From 2011 onwards, the trustees will adopt a "total return" spend policy, which aims to maintain both the real value of both distributions and the endowment asset value.

The Foundation's policy for unrestricted reserves is to maintain reserves at a level such that the "free" reserves are sufficient to meet at least 50% of the following year's unrestricted expenditure. ("Free" reserves being those in a liquid form). This level will be maintained by budgeting to retain a surplus in the years where the Foundation has predictable income and building flexibility into the expenditure plans for future years. At 31 December 2009 the "free" reserves were \$14 million, which is approximately 80% of the following year's planned unrestricted expenditure.

The reserve policy is reviewed at least annually.

Endowment Investment Policy and Performance

The trustees wish to make prudent investments consistent with meeting the Foundation's primary investment 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 current selected strategy is to invest in a globally diversified portfolio of equity and bond markets (weighted 60% in equities and 40% in bonds and liquidity funds). 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. During 2009 the trustees appointed an external adviser to work with the Investment Committee to review the investment objectives beyond the end of 2010 and define an investment policy statement to deliver those objectives.

Investments are included at closing mid-market value at the balance sheet date. Overall investment performance of the endowment during 2009 showed a strong positive return of 17.6%, this was in line with the portfolio benchmark return. The equity portfolio returned 30% for the full year. Investors' high risk-aversion and the gloomy macro-economic prospects pushed the share markets heavily downwards in the early months of 2009. The exchanges only started to show signs of recovery from March onwards. The impetus for the positive change came from the US when it announced further details of the banking sector's rescue plan. The confirmation of the economic recovery supported the equity markets throughout 2009. Troubled banks made the biggest comeback but other sectors such as materials and the car industry also performed very strongly. The return from bond markets during the period was 6.1%. The resilience in investor risk appetite reflected the increasing improvement in global economic fundamentals during the last quarter of the year. The cumulative return of the portfolio since inception (21 December 2000) to year end 2009 was 44.4% (before fees).

The Foundation also holds a social investment, which is held for charitable rather than financial returns.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2009

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.

By order of the Board



Ben van Beurden
Trustee

17 June 2010

Independent auditors' report to the member of Shell Foundation

We have audited the financial statements of Shell Foundation for the year ended 31 December 2009 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Trustees and Auditors

The trustees' (who are also the directors of Shell Foundation for the purposes of company law) responsibilities for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view 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 company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Report of the Trustees is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept adequate accounting records, if the company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

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

Basis of Audit Opinion

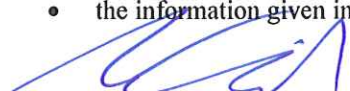
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Trustees is consistent with the financial statements.


Toby Skailles (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 21 June 2010

Shell Foundation

Statement of financial activities for the year ended 31 December 2009

	Note	Unrestricted Funds 2009 \$000	Restricted Funds 2009 \$000	Endowment Funds 2009 \$000	Total Funds 2009 \$000	Total Funds 2008 \$000
Incoming Resources						
<i>Incoming resources from generated funds</i>						
Voluntary						
- Donations	2	19,151	7,967	-	27,118	17,908
Investment Income	3	44	-	6,164	6,208	5,996
Discontinued activities		-	-	-	-	22
Total Incoming Resources		19,195	7,967	6,164	33,326	23,926
Resources Expended						
<i>Cost of generating funds:</i>						
Investment management costs		-	-	(392)	(392)	(273)
Total cost of generating funds		-	-	(392)	(392)	(273)
<i>Charitable Activities</i>						
- Aspire		(641)	-	-	(641)	(558)
- EMBARQ		(2,317)	-	-	(2,317)	(1,810)
- Trading UP		(3,140)	-	-	(3,140)	(3,883)
- Breathing Space		(4,443)	(590)	-	(5,033)	(7,746)
- Excelerate		(1,884)	-	-	(1,884)	773
- African Leadership		(74)	(197)	-	(271)	-
- Incubator		779	-	-	779	(1,307)
- Other		-	-	-	-	(889)
Discontinued activities		-	-	-	-	(4)
Total Charitable Activities	5	(11,720)	(787)	-	(12,507)	(15,424)
Governance costs	7	(388)	-	-	(388)	(386)
Total charitable expenditure		(12,108)	(787)	-	(12,895)	(15,810)
Total resources expended		(12,108)	(787)	(392)	(13,287)	(16,083)
Net incoming resources before revaluations and investment asset disposals		7,087	7,180	5,772	20,039	7,843
Loss on disposal of subsidiary		-	-	-	-	(550)
Realised (losses) on the revaluation and disposal of investment assets		-	-	(1,403)	(1,403)	(1,085)
Unrealised gains/(losses) on the revaluation and disposal of Investment assets		-	-	52,027	52,027	(90,513)
Net Movement in Funds		7,087	7,180	56,396	70,663	(84,305)
Fund balances brought forward at 1 January		13,689	-	311,167	324,856	409,161
Fund balances carried forward at 31 December		20,776	7,180	367,563	395,519	324,856

All incoming resources, resources expended and resulting net movements in funds are derived from continuing activities, apart from the results of the 100% subsidiary SAEF, which was liquidated during the prior year and is disclosed as discontinued 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.

Shell Foundation

Income and expenditure account for the year ended 31 December 2009

	2009 \$000	2008 \$000
Income		
Voluntary Income	27,118	17,908
Investment Income (unrestricted)	44	412
Other Income	-	22
Total realised income	27,162	18,342
Expenditure		
Charitable activities	(12,507)	(15,179)
Governance costs	(388)	(386)
Total expenditure	(12,895)	(15,565)
Net surplus/(deficit) of income over expenditure for the year	14,267	2,777

Balance sheet as at 31 December 2009

	Note	2009 \$000	2008 \$000
Fixed Assets			
Investments	11	375,111	315,761
Social investments	12	2,229	1,087
		377,340	316,848
Current Assets			
Cash at bank & in hand	13	23,844	16,432
		23,844	16,432
Creditors: amounts falling due within one year	14	(5,190)	(7,925)
Net Current Assets/(Liabilities)	17	18,654	8,507
Total Assets less Current Liabilities		395,994	325,355
Creditors: amounts falling due after more than one year	15	(475)	(499)
Net Assets		395,519	324,856
Represented by:			
Endowment Funds – including a revaluation reserve in \$000 of 34,067 (2008: (17,960))	16	367,563	311,167
Restricted Funds	16	7,180	-
Unrestricted Funds	16	20,776	13,689
Total Funds		395,519	324,856

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:



Ben van Beurden
Trustee

17 June 2010

Shell Foundation

Cash flow statement for the year ended 31 December 2009

	Note	2009		2008	
		\$000	\$000	\$000	\$000
Net cash inflow from operating activities	18		11,539		(2,359)
Returns on investments and servicing of finance					
Interest Income (unrestricted & restricted)		44		110	
Investment Income (unrestricted & restricted)		-		305	
Investment income received endowment funds		6,164		5,761	
Investment income attributable to endowment funds		(6,164)		(5,761)	
Total returns on investments and servicing of finance			44		415
Capital expenditure and financial investment					
<u>Investing Activities</u>	11				
Purchase of investments		(41,789)		(56,221)	
Purchase of social investments		(1,142)		(1,087)	
Sale of investments		33,848		55,688	
(Purchase)/Sale of Investments Fidelity		-		16,490	
Dividends reinvested Fidelity		-		(305)	
Cash disposed of with subsidiary		-		(718)	
<u>Hedging Activities</u>	11				
Payments on forward foreign exchange contracts		(1,150,591)		(1,544,660)	
Proceeds on forward foreign exchange contracts		1,149,807		1,539,650	
Gain/(loss) on foreign exchange		5		(245)	
Cash flow attributable to endowment investments		8,720		5,788	
Total capital expenditure and financial investment			(1,142)		14,380
Financing					
Investment income retained within endowment funds		6,164		5,761	
Cash flow attributable to endowment investments		(8,720)		(5,788)	
Cash expended on endowment fund fees		(473)		(110)	
Total Financing			(3,029)		(137)
Increase in cash in the year			7,412		12,299
Analysis of change in cash					
Cash balance at 1 January			16,432		4,133
Cash balance at 31 December			23,844		16,432
Increase in cash in the year			7,412		12,299

The accompanying notes form part of these financial statements.

Shell Foundation

Notes to the financial statements for the year ended 31 December 2009

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 2006.

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 0.6453.

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, for the period up to its liquidation in March 2008. Following liquidation, a net loss was recorded as no proceeds were received. 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 in 2008 were (in \$000s) 7,824 and (83,774) respectively. The disclosures listed in paragraph 401 of the Charities SORP have not been given, as the subsidiary was 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 ("the LLP"), in which the Foundation was a non-beneficial partner up to its retirement from the partnership on 14 April 2009. As the Foundation had no right to a share in the results of the LLP it was not treated as a participating interest, and as such the results of this partnership up to the Foundation's retirement from the LLP are not consolidated in these accounts. The net loss and net assets of the LLP for the year ended 31 July 2009 were £52,570 and £451,793 respectively. In addition, Shell Foundation has the right to appoint one of the three directors on the board of one of its grantees, CottonConnect Global. As the Foundation is not a shareholder and does not have a right to a share in the results of this organisation it is not treated as a participating interest, and as such the results of this company are not included in these accounts.

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
- restricted income funds, that are expendable at the discretion of the trustees in furtherance of the specific purpose stated by the donor; 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. During 2009, donated services were received as shown in note 2 (2008: nil).

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 2009

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.

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 for 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.

Social investments are carried at cost less any provision for diminution in value. Such investments are subject to review, and any diminution is charged to 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.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2009

2 Donations Received

	2009 \$000	2008 \$000
Cash		
Shell Trading International Ltd	18,800	17,600
Shell International B.V	1,900	125
The Shell Centenary Scholarship Fund	250	-
Barclays Bank plc	283	-
Onderling Medisch Steunfonds	5,534	-
Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)	-	54
Department for Environment, Food and Rural Affairs (DEFRA)		129
Donated services		
Shell International Petroleum Company Ltd	234	-
Shell International Ltd	42	-
Shell Gas & Power International BV	75	-
	27,118	17,908

Donated services is made up of the cost of personnel provided by Shell Group companies to Shell Foundation at no charge. These personnel were used for work on EMBARQ, general communications and the African Leadership programme.

3 Investment income

	2009 \$000	2008 \$000
Interest on Cash Deposits	44	412
Fixed Interest Securities	11	-
Dividends	6,153	5,584
	6,208	5,996

4 Grants expenditure

	2009 \$000	2008 \$000
Grants payable brought forward	(6,475)	(11,762)
Payments	11,777	15,097
Grants payable within 1 year	2,877	5,976
Grants payable after 1 year	475	499
Grants awarded in the year	8,654	9,810

A full list of grants awarded in the year ended 31 December 2009 is included in the Trustees' Report (pages 15 to 16).

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2009

5 Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2009 \$000	2008 \$000
Aspire	(530)	(57)	(54)	(641)	(558)
EMBARQ	(1,500)	(622)	(195)	(2,317)	(1,810)
Trading UP	(2,235)	(548)	(357)	(3,140)	(3,883)
Breathing Space	(3,617)	(993)	(423)	(5,033)	(7,746)
Excelerate	(1,547)	(178)	(159)	(1,884)	773
African Leadership	(147)	(101)	(23)	(271)	-
Incubator	922	(110)	(33)	779	(1,307)
Other	-	-	-	-	(889)
Discontinued activities	-	-	-	-	(4)
Total for 2009	(8,654)	(2,609)	(1,244)	(12,507)	
Total for 2008	(9,810)	(3,424)	(2,190)		(15,424)

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 6 below.

6 Direct and Support Costs

	Direct costs \$000	Support costs \$000	2009 \$000	2008 \$000
Manpower costs (see note 9)	(1,319)	(859)	(2,178)	(1,965)
External services	(440)	(63)	(503)	(1,454)
Communications	(614)	(221)	(835)	(780)
Travel	(281)	(35)	(316)	(516)
Training	(4)	(37)	(41)	(61)
Sundry	-	(40)	(40)	(38)
Exchange gain/loss	49	11	60	(800)
Total	(2,609)	(1,244)	(3,853)	(5,614)

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 2009, \$140,450 was payable to Shell Group companies on normal business terms.

7 Governance Costs

	2009 \$000	2008 \$000
Manpower costs (see note 10)	(344)	(314)
Audit fees	(33)	(53)
Trustee expenses	(11)	(13)
Legal fees	-	(6)
Total	(388)	(386)

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 accounts.

Notes to the financial statements (continued) for the year ended 31 December 2009

8 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 \$11,488 (2008: \$13,309 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.

9 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 11.4 (2008: 10.4).

Manpower expenditure included in Direct and Support costs (note 6) and Governance 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 taxes paid by Shell Group companies in relation to these employees are as follows:

	2009 \$000	2008 \$000
Salaries	(1,359)	(1,526)
Social security	(127)	(159)
Pension costs	(351)	(295)
	(1,837)	(1,980)

The number of Shell Group employees working on Foundation activities whose emoluments were above £60,000 is as follows:

	2009	2008
£60,000 to £70,000	2	1
£80,000 to £90,000	2	
£90,000 to £100,000		1
£100,000 to £110,000	1	
£130,000 to £140,000		1
£140,000 to £150,000		1
£160,000 to £170,000	1	
	6	4

Shell Group companies made contributions during the year to a defined benefit pension scheme of £159,746 in relation to these six employees (2008: £83,996 in relation to four employees).

10 Taxation

The Foundation is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2009

11 Investments

	Market Value 1 Jan 09 \$000	Purchases at cost/ Deposits \$000	Sale Proceeds/ Withdrawals \$000	Gains/ (Losses) \$000	Market Value 31 Dec 09 \$000
Pooled Investment Vehicles					
Overseas bonds	123,546	3,607	(4,562)	7,639	130,230
Overseas equities	182,365	18,602	(29,286)	51,557	223,238
	305,911	22,209	(33,848)	59,196	353,468
Liquidity Fund	-	19,580	-	-	19,580
Forward Foreign Exchange Contracts	9,824	1,150,591	(1,149,807)	(8,572)	2,036
Sub-Total	315,735	1,192,380	(1,183,655)	50,624	375,084
Cash invested in institutional cash funds	26	1	-	-	27
Totals	315,761	1,192,381	(1,183,655)	50,624	375,111

As at the year end the Foundation held equity investments valued at \$223 million, benchmarked to the MSCI World Index, held with State Street Global Advisors in a Common Trust Fund, and bond investments valued at \$130 million, benchmarked to a World Government Bond Index. Total assets invested in Common Trust Funds at the year-end were \$353 million. Cash invested in institutional cash funds represents cash invested in Fidelity Institutional Cash Fund plc.

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. At the year end, 51.8% of equities and 72.5% of bonds were non US Dollar.

12 Social investments

	2009 \$000	2008 \$000
GroFin Africa Fund		
Cost brought forward at 1 January	1,087	-
Purchases	1,142	1,087
Cost carried forward at 31 December	2,229	1,087

The value of social investments at the year end is shown at cost. The investment in the GroFin Africa Fund (GAF) represents 2,229,200 Class A (\$1) shares in the fund, which meets the objectives of the Aspire programme.

13 Cash at bank and in hand

	2009 \$000	2008 \$000
Cash at Bank	23,844	16,432

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.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2009

14 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.

	2009 \$000	2008 \$000
Grants Payable	2,877	5,976
Trade Creditors – Shell International Limited	766	810
Accruals – Shell International Limited	1,547	1,139
	5,190	7,925

15 Creditors: amounts falling due after more than one year

	2009 \$000	2008 \$000
Total Grants payable	3,352	6,475
Less amounts falling due within one year (note 14)	(2,877)	(5,976)
	475	499
Represented by:		
Grants payable in greater than one year but less than two years	405	462
Grants payable in greater than two years	70	37
	475	499

16 Funds

	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	311,167	6,164	(392)	50,624	367,563
Unrestricted Funds	13,689	19,195	(12,108)	-	20,776
Restricted Funds	-	7,967	(787)	-	7,180
	324,856	33,326	(13,287)	50,624	395,519

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2009

17 Analysis of net assets between funds

		Unrestricted Funds 2009 \$000	Restricted Funds 2009 \$000	Endowment Funds 2009 \$000	Shell Foundation 2009 \$000	Shell Foundation 2008 \$000
	Note					
Fixed Assets						
Investments (at market value)	12	4,981	-	370,130	375,111	315,761
Social investments (at cost)	13	2,229	-	-	2,229	1,087
		7,210	-	370,130	377,340	316,848
Current Assets						
Cash at bank & in hand	14	18,910	7,501	(2,567)	23,844	16,432
Creditors: amounts falling due within one year	15	(4,869)	(321)	-	(5,190)	(7,925)
Net Current Assets/(Liabilities)		14,041	7,180	(2,567)	18,654	8,507
Total Assets less Current Liabilities		21,251	7,180	367,563	395,994	325,355
Creditors: amounts falling due after more than one year	16	(475)	-	-	(475)	(499)
Net Assets		20,776	7,180	367,563	395,519	324,856

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

	2009 \$000	2008 \$000
Continuing activities		
Net incoming / (outgoing) resources – unrestricted & restricted funds	14,266	2,227
Investment income – unrestricted & restricted funds	1	(305)
Increase in net creditors – unrestricted & restricted funds	(2,684)	(4,721)
Interest income on bank accounts	(44)	(110)
Loss on disposal of subsidiary	-	550
	11,539	(2,359)

19 Capital commitments

The Foundation had no capital commitments as at 31 December 2009 (2008: \$ nil).

20 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.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2009

21 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 are or were directors or officers of certain Shell Group companies: Mr Peter Voser, Mr Jeroen van der Veer, Mr Malcolm Brinded, Ms Roxanne Decyk and Mr Ben van Beurden. 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. The Shell Centenary Scholarship Fund made a donation to the Foundation during 2009.

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 in November 2005, and a grant of \$900k was awarded to during 2008. Dr Kalema is also a trustee of The Rhoda Nsibirwa & William Kalema Trust, an education trust registered in Uganda, which received a grant of \$7k from the Foundation during the prior year.

Sir John Houghton is President of The John Ray Initiative, registered charity 1067614, which received a grant of \$8k from the Foundation during 2009.

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 31 December 2009 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 2009 the Foundation had contingent liabilities of \$3.0 million in respect of the following:

<u>Organisation</u>	<u>\$000</u>
World Resource Institute – During December 2007 a contingent liability of \$1.5 million per year for the years 2008-2011 was entered into for the EMBARQ project, which is conditional upon the future performance of the grantee.	3,000
	<u>3,000</u>

