
Report of the Trustees and Financial Statements 2018

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About Shell Foundation

Shell Foundation (SF) is an independent charity, established in 2000 by the Shell Group. SF works to create and scale new solutions to global development challenges by applying business thinking to major social and environmental issues linked to energy and mobility.

Learning from both success and failure it has gradually developed an 'enterprise-based' model to catalyse lasting social and environmental impact on a global scale. This sees it deploy a blend of financial and non-financial resources to accelerate transformative innovation and harness private markets to deliver public benefit at scale.

SF's Approach

SF works with a small number of entrepreneurial partners to identify the underlying market failures behind intractable problems and co-create new social enterprises to solve them. SF provides patient grant funding, extensive business support and access to networks to help pioneers to validate new models, achieve financial independence and expand across geographies.

SF then creates specialist intermediaries to facilitate growth and replication at an industry level. By working in this way, SF now has several strategic partners – addressing issues as diverse as energy access, sustainable mobility and job creation through the SME sector – that are delivering large-scale impact in multiple countries across Africa, Asia and Latin America.

www.shellfoundation.org

Trustees, Directors, Officers and Advisors

Trustees, Directors, Officers and Advisors

Trustees (who are also Directors)

The Trustees of the Foundation who were in office during the year and up to the date of signing the financial statements were:

Ms Gail Klintworth	Chair, Nominated Trustee	Appointed 9 January 2019
Mr Maxime Verhagen	Acting Chair, Nominated Trustee	Resigned 8 January 2019
Mr Malcolm Brinded, CBE	Nominated Trustee	
Professor Margaret Kigozi	Nominated Trustee	
Ms Diana Fox Carney	Nominated Trustee	
Ms Alice Chapple	Nominated Trustee	
Mr Andrew Brown		
Mr Maarten Wetselaar		
Ms Sinead Lynch		

Principal Officers

Mr Sam Parker	Director	
Shell Corporate Secretary Ltd	Secretary	
Mr Fraser Johnson	Chief Financial Officer	From 8 December 2017 to 31 March 2019
Ms Rachel Singh Davies	Joint Chief Financial Officer	From 1 April 2019
Ms Patricia Otero	Joint Chief Financial Officer	From 8 May 2019

Registered Office

Shell Centre
York Road, London
SE1 7NA

Independent External Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Audit Risk Committee Members

Ms Sinead Lynch – Chair
Mr Stuart Chaplin – Co-opted
Mr Michael Clark – Co-opted
Ms Alice Chapple

Remuneration Committee Members

Ms Gail Klintworth
Mr Malcolm Brinded
Ms Sinead Lynch
Ms Alice Chapple

Bankers

Lloyds Bank plc
25 Gresham Street
London EC2V 7HN

Investment Manager

Shell Asset Management Company
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2288 GK
Rijswijk
The Netherlands

Independent Investment Advisor

Cambridge Associates
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Cardinal Place
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United Kingdom

Investment Committee Members

Mr Malcolm Brinded, CBE – Chair
Ms Sinead Lynch
Mr Stuart Chaplin – Co-opted
Mr Michael Clark – Co-opted
Mr Sam Parker
Mr Fraser Johnson – To 31 March 2019
Ms Rachel Singh Davies – From 1 April 2019
Ms Patricia Otero – From 8 May 2019

Message from the Director



We are proud to report back on another year in which, together with our strategic partners and portfolio enterprises, we have improved the lives of millions of people by enabling access to energy and sustainable transport solutions.

We focus on energy and transport as bedrocks to inclusive economic growth and are excited to see how improved access to these necessities is transforming peoples' lives in some of the poorest regions in the world, with benefits to health, education and employment.

Cognisant of how precarious progress towards the UN Sustainable Development Goals remains, we have continued to explore ways to accelerate the scale of our portfolio and the impact it delivers, by seeking out new strategic partnerships.

In 2018, we convened more than 160 investors from 120 organisations – from donors to social investors, development finance institutions to venture capitalists – together with our portfolio, at an event in London that led to more than \$100m of investment conversations. You can see more about our access to finance work on page 15.

We also continued to promote the ecosystem approach that is core to our strategy. Supporting entry into perceived 'high-risk' countries, establishing institutions to galvanise nascent sectors and championing gender inclusion policies among social enterprises. All these activities serve to build sustainable markets and provide better products and services to low-income consumers.

We would like to take this opportunity to thank Maxime Verhagen for his several years of dedication and effort as a Trustee on our Board of Directors and to welcome formally Gail Klintworth as Chair. We will greatly benefit from Gail's leadership and her eye for innovation and critical business thinking as we look forward to 2019.

Looking ahead, we are excited about new developments in integrating energy access solutions to better serve a range of customers with reliable and affordable products and services. Our mobility portfolio has ambitious growth plans and we are working on innovative products to provide growth capital for enterprises still considered risky and fragile, yet with the potential to improve millions of lives whilst on their way to sustainability and profitability.

Our work is delivered through the shared commitment and determination of our strategic partners, our portfolio of enterprises and institutions and with the support of our Board of Trustees and for that we are immensely grateful.

Sam Parker

Message from the Chair of the Board of Trustees



I believe strongly that we need to find and grow many more innovative business solutions which will help to deliver inclusive economic growth in Africa and Asia, not least in critical sectors such as energy and transport. Policy frameworks and development aid have true impact when married with entrepreneurial solutions that can scale to become drivers of the real economy.

I am inspired by the rich variety of early stage companies that I have met, but recognise that, to achieve scale and sustainability, they require thoughtful, patient and creative support. What this report shows is that in 2018 Shell Foundation has continued to expand on its impressive legacy of impact and remains at the forefront of the venture philanthropy sector... building businesses that make a real difference and sharing the learning we gather along the way.

I am hugely excited to join the Shell Foundation Board of Trustees as Chair and look forward to working with the team to generate ever greater impact in the lives of the low income-consumers we serve.

Gail Klintworth



Shell Foundation Programmes



Dharma Life - delivering socially impactful products and awareness via a rural entrepreneur network in India.

Our Focus

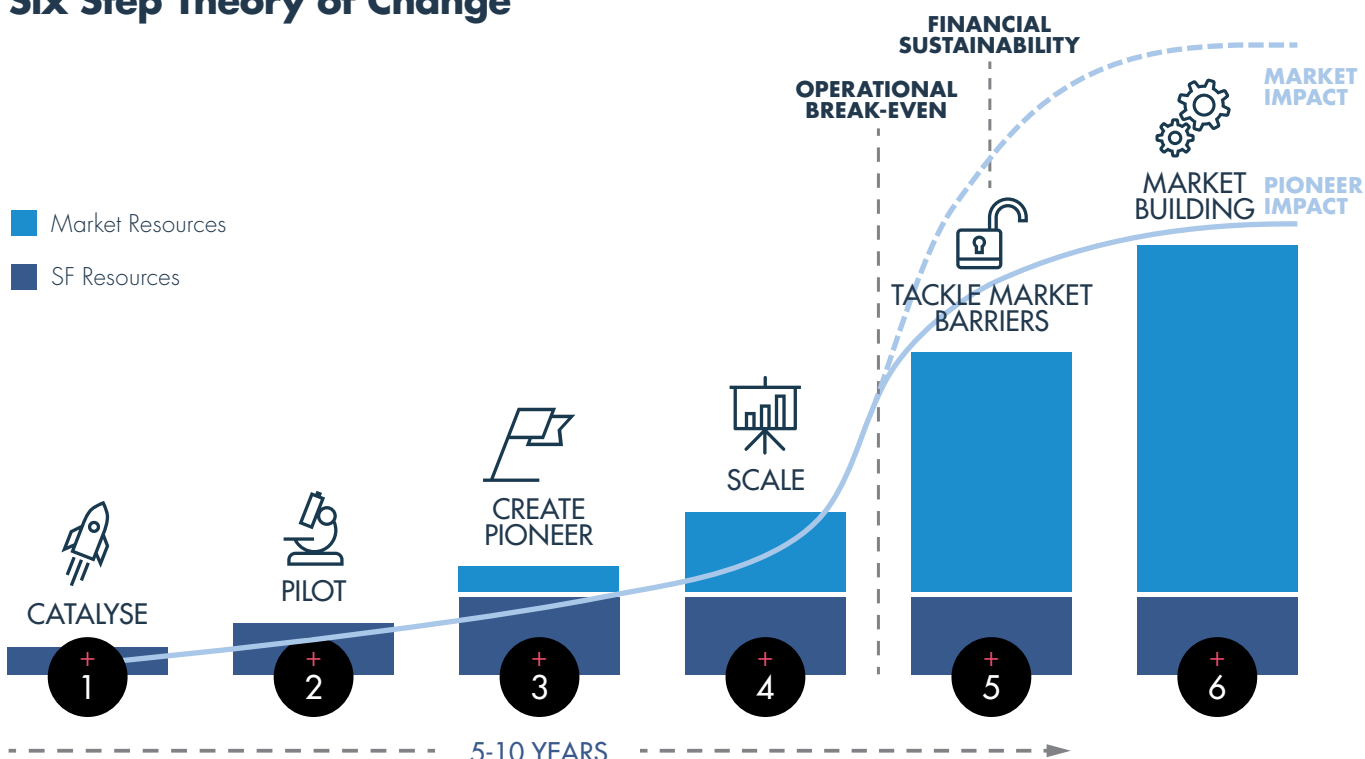
SF is an independent charity that applies a business approach to global development challenges which constrain access to energy and sustainable urban and rural mobility.

Since 2000, SF has worked with social enterprise partners to create new business solutions and deliver social and environmental impact on a global scale. SF provides a mix of business support, grant funding and market links to help entrepreneurs prove their

business models, achieve financial independence and expand into new markets. To support the growth and replication of these solutions, SF also creates specialist organisations to address market bottlenecks, such as financial vehicles and industry associations.

To date, SF has deployed \$351 million of grant funding into social enterprises and new market builders operating in Africa, Asia and Latin America.

Six Step Theory of Change



CATALYSE

Identify the market failures that underpin issues related to energy and transport and seek high-potential yet high-risk solutions that address the wants and needs of the people we seek to serve.

PILOT

Work with innovative entrepreneurs to test a range of new technologies or products to find evidence for market demand and consumer preferences, as well as the viability of the business model.

CREATE PIONEER

Develop long-term partnerships with entrepreneurs who have proven skills and experience, then create new organisations that aim for large-scale impact and financial independence.

SCALE

Once partners have proven the viability of their models in a particular region, SF supports them to build operational capacity for global expansion.

TACKLE MARKET BARRIERS

Identify structural barriers that prevent sustainable growth for businesses and work to address them through the creation of specialist supply chain intermediaries and financial organisations. These include low consumer awareness, affordability constraints, limited routes to market in rural areas or supply chain fragility.

MARKET BUILDING

Creating one pioneer simply is not enough. To help others replicate and adapt these models we co-create supply chain intermediaries, financial vehicles and non-profit institutions that provide data, standards and coordination of public and private support.

SHELL FOUNDATION OUTCOME INDICATORS

Performance Analysis

In line with an 'enterprise-based' approach, SF focuses on measuring its own performance and its partners' progress towards sustainability and large-scale impact. Since 2010, SF has used four aggregate metrics to measure its overall developmental impact, with the intention to facilitate knowledge and learning rather than to use the KPIs as goals in themselves. Tracking and measuring changes in performance against pre-defined milestones and impact targets allows SF to better allocate resources to deliver greater development outcomes.

Partner Performance

From the outset SF supports partners to define a few key metrics specific to their own enterprise. Wherever possible, SF draws upon independent monitoring and evaluation to validate reported data. SF's partners track and measure a wide variety of development outcomes including:

- low-income customers served, e.g. through product sales or bus ridership;
- environmental benefit, e.g. reductions in emissions or water usage;
- economic benefit, e.g. jobs created, earnings increased, money saved;
- social benefit, e.g. improved health or time saving.

SF's partners also track progress to financial sustainability through monthly and quarterly financial reporting as well as performance ratios (such as subsidy per product sold). Regularly tracking performance against projected targets helps SF to better understand the overall business, respond quickly to unexpected challenges and improve the effectiveness and efficiency of its support over time.

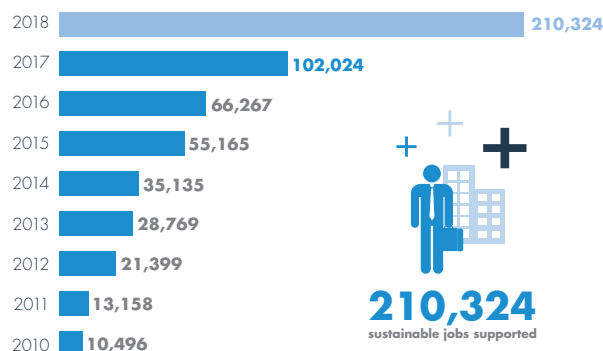
Continual Improvement

In 2018, SF updated its Monitoring and Evaluation framework in line with latest sector research and a commitment to continual improvement. This resulted in several changes which were applied to our forecasts for the year:

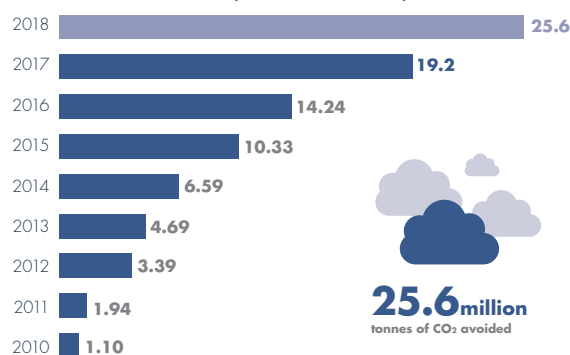
- **Jobs Supported:** We had found that validating the jobs supported by the supply chain partners of our investees was increasingly difficult as markets matured. Going forward we have counted only the direct jobs created by portfolio partners, except in agriculture and financial intermediaries where validation is easier.
- **Carbon Reductions:** We standardised the way that household energy partners calculate 'CO₂ saving', using the Global Off-Grid Lighting Association's recommended CO₂ methodology (<https://www.gogla.org/impact>).
- **Livelihoods Improved:** Energy partners now discount the number of products sold to allow for loss and damage, while transport partners are now able to adjust for repeat customers. Some of our financial intermediaries will not report livelihoods improved where attribution is considered too uncertain.

Data in respect of years 2010-2017 continues to reflect our previous methodology and was not retrospectively adjusted.

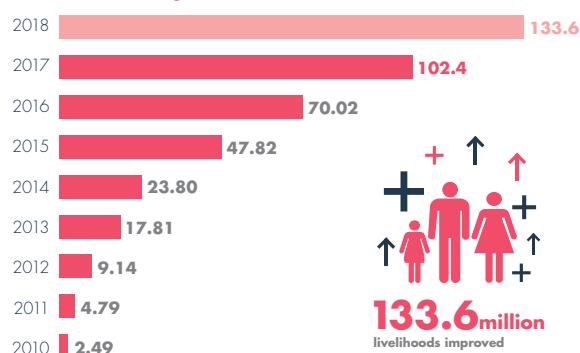
Jobs Supported



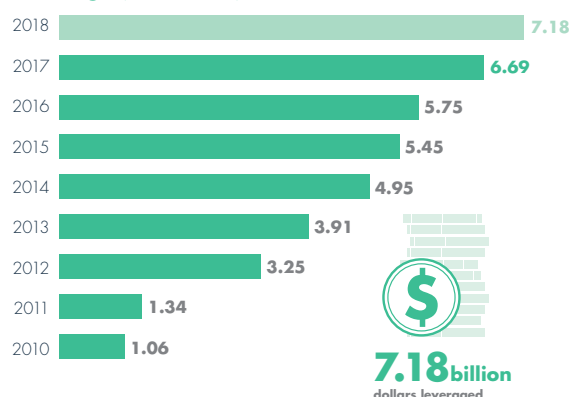
Carbon Reductions (million tonnes)



Livelihoods Improved (millions)



Leverage (\$ billions)





Shell Foundation Programmes

—
**ACCESS
TO ENERGY**
—

SunCulture, Kenya, providing affordable solar water pumps and irrigation.

At a Glance: Strategic Report – Achievements and Performance

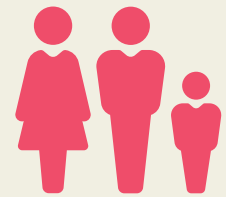
ACCESS TO ENERGY

By co-creating and supporting the scale-up of pioneering social enterprises and market enablers (such as supply chain or financial intermediaries), Shell Foundation (SF) is helping to increase the availability of modern energy services to low-income consumers in ways that are financially viable and scalable.

We do this in the belief that energy is the bedrock of inclusive economic growth. Despite noted progress in the recent years, nearly one billion people still live without electricity access – severely constraining their health, education and earning potential. Three billion people are still cooking using polluting fuel and stove combinations.

1 billion

people lack access to reliable and affordable modern energy



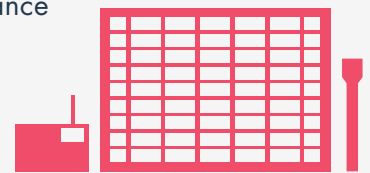
30,000

livelihoods improved by Sistema.bio's biogas units in South America, East Africa and India



\$212 million

cumulatively leveraged in finance by M-KOPA



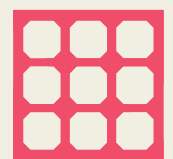
14,000

Dharma Life entrepreneurs (75% women) providing energy and social impact products to 45,000 villages in India



140,000

Orb Energy systems installed in India and Kenya



140,000

homes electrified by BBOX



At a Glance: Strategic Report – Achievements and Performance

ACCESS TO ENERGY

Household Energy

SF aims to improve access to affordable, reliable and modern energy products for low-income households in Africa and Asia. In 2018, SF focused on scaling its portfolio of modern energy product manufacturers and improving the affordability of these products.

2018 key highlights

- Supported M-KOPA to develop the world's first solar pay-as-you-go (PAYG) fridge, with pilot sales being tested in Kenya and further development on-going for larger versions
- Partnered with Vodafone to develop a digital wallet product that helps low-income consumers save money towards a down payment for a PAYG energy product
- Worked with Belcash, Ethiopia's leading mobile money provider, to co-create HelloSolar, which is providing home PAYG solar products in Ethiopia, one of the largest frontier markets in Africa.

Future plans

SF will continue to engage with investors to attract commercial capital into scaling existing household energy businesses in established markets, whilst also replicating their models to enter frontier territories with high numbers of underserved and low-income consumers. SF will also continue supporting the development of new low-cost energy-efficient appliances and innovative models for last-mile distribution and consumer finance.

60million

livihoods impacted by d.light

>600,000

solar home systems purchased via PAYG from M-KOPA Solar

9.4million

tonnes of CO₂ reduced by the use of Envirofit cookstoves



M-KOPA Solar provide consumer financing for low-cost solar energy in Kenya



An Envirofit clean cookstove at work in India

At a Glance: Strategic Report – Achievements and Performance

ACCESS TO ENERGY

Off-grid utilities

SF is co-creating off-grid utility models that can provide reliable and affordable modern energy beyond basic lighting and mobile phone charging. It aims to support pioneering models that offer an energy service that meets the entire energy needs of off-grid households, businesses and community services.

2018 key highlights

- Supported – with the UK’s Department for International Development (DFID) – the establishment of the Africa Mini-grid Developers Association; the first trade association dedicated exclusively to the mini-grid sector, focusing on intelligence sharing, sector advocacy and coordination
- Grew the Odyssey digital platform – which brings mini-grid investors, donors, vendors and developers together in one marketplace – to present more than 550 projects, attracting \$500 million of investment, across 21 countries, with 30-40% user growth month-on-month
- Worked with CrossBoundary to create a new financial vehicle – CrossBoundary Energy Access (CBEA) – to support mini-grid developers, anchored with project equity from SF. CBEA has now raised \$11.8m to support new sites in Tanzania, Zambia and Nigeria.

Future plans

SF will focus on ways to scale the impact of off-grid utility businesses and integrate different power sources into single offerings. SF is committed to share learnings to help investors and policy-makers to support the growth of this sector.

250

mini-grid developers on the Odyssey Energy Platform

39,167

‘SMART’ meters installed by SparkMeter

\$17million

additional investment secured by Redavia



Redavia supplies cost-effective, reliable and clean solar power for businesses and communities in east and west Africa



There are 250 mini-grid developers on the Odyssey Energy Platform with a 30-40% user growth month-on-month.

At a Glance: Strategic Report – Achievements and Performance

ACCESS TO ENERGY

Energy for Business

SF is seeking to test new technologies and develop business models tailored to meet the unique energy needs of smallholder farmers and improve their livelihoods. We are focused on improving access to energy across the agricultural value chain – food production, agri-processing, post-harvest and storage facilities.

2018 key highlights

- SunCulture successfully closed a \$3m debt funding round from European utilities provider EDF
- After supporting their initial Kenyan market entry in 2017, SF continued to work with Sistema.bio, a producer of biogas digesters that convert animal waste to energy, as they made inroads into the India market
- Helped Apollo Agriculture, a provider of finance, products and advice to help smallholder farmers increase yields, incomes and energy access, financing more than 5,000 unique customers across two growing seasons

Future plans

With the new DFID partnership, we will increase our work incubating and scaling early stage technology companies that design, manufacture and distribute renewable energy agricultural assets for smallholder farmers, link farmers to markets and improve access to quality inputs and data.

>475million
smallholder farmers in the world

\$700,000

in loans to Kenyan farmers by Apollo Agriculture, via its tech-enabled credit assessment platform

36,288

lives improved by Sistema.bio's bio-digester system



Sistema's bio-digester system provides clean fuel solutions for smallholder farmers in Mexico



Apollo Agriculture helps smallholder farmers in Kenya with finance, products and advice

At a Glance: Strategic Report – Achievements and Performance

ACCESS TO ENERGY

Access to finance

Access to finance is a major barrier to growth for energy businesses serving low-income consumers in emerging markets. Our team provides extensive support to enable portfolio partners to raise capital from appropriate social investors. Building on SF's experience of supporting these businesses, SF is creating and scaling innovative financing mechanisms that support development of enterprises from pilot to growth stage.

2018 key highlights

- Ran an Investor Summit in London for the entire SF portfolio of enterprises, hosting 168 investors from 125 organisations and generating investment opportunities in excess of \$100m
- Co-designed the responsAbility Energy Access Fund, which provided \$34m working capital finance to energy access enterprises in Africa and Asia
- Launched two tools with Calvert Impact Capital to help investors analyse gender inclusion within their portfolios and track both financial and impact performance

Future plans

SF is committed to increasing the level of patient, risk-tolerant finance to support enterprises at various stages of growth. We do this by supporting a robust investment market and connecting our portfolio enterprises with relevant and aligned investors.

\$332million

of funding leveraged into SF's Access to Energy portfolio in 2018

\$34million

in working capital finance to energy access enterprises by the responsAbility Energy Access Fund

ACCESS TO ENERGY – RESOURCES EXPENDED

	2018	2017
	\$000	\$000
Grants	11,581	21,982
Direct costs	5,751	3,023
Support costs	1,713	1,848
TOTAL	19,045	26,853

At a Glance: Strategic Report – Achievements and Performance

ACCESS TO ENERGY: CASE STUDY



Farmers across Africa face many challenges including unreliable rainfall, low crop yields, high energy costs, lack of access to modern farming technology and insufficient access to capital.

SunCulture provides smallholder farmers in East Africa with the technology, financing and training to make their farms 'smart' and more productive.

Their industry-leading solar-powered irrigation system, RainMaker™, increases farm yield by up to 90% when compared to nearby rain-fed farms.

SunCulture runs an end-to-end business model in Kenya, from manufacturing to after-sales support, including 'Pay-As-You-Grow' consumer financing, on-farm training, soil analysis and land management support via mobile phone.

Distribution partnerships – including with other SF portfolio enterprises – has seen them expand their reach to other sub-Saharan African markets.

Find out more at www.sunculture.com

2,334
systems sold

4,665
jobs supported

5,143
m/tonnes CO₂ reduced

16,263
livelihoods improved





Shell Foundation Programmes

SUSTAINABLE MOBILITY

SMV Green Solutions: electric rickshaws
for sustainable mobility in India.

At a Glance: Strategic Report – Achievements and Performance

SUSTAINABLE MOBILITY

Access to affordable and reliable transport affects all aspects of daily life, including health, education and employment services.

At the heart of any thriving and prosperous society is the ability to move people and goods efficiently. Yet today, in major cities in emerging markets, people lack access to public transport and central districts are brought to a halt by traffic gridlock.

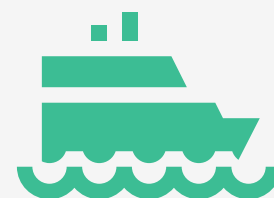
Heavy congestion and pollution is considered a normal part of daily life, disproportionately impacting the urban poor.

- Transport is responsible for 23% of energy-related greenhouse gas emissions.
- 90% of global road deaths occur in low and middle income countries despite them having just over half the total number of vehicles in the world.

SF's Sustainable Mobility programme focuses on co-creating, supporting and scaling enterprises and institutions with innovative approaches to provide safer, cleaner and more affordable transport for low-income urban and rural communities.

1 million

customers served by Globology's Waterbus ferry service on Lake Victoria



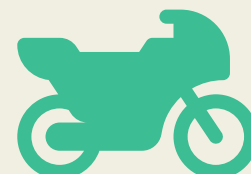
6,000+

installations of the OkHi physical address mapping system



62,000

livelihoods improved as a result of Tugende's lease-to-own asset financing



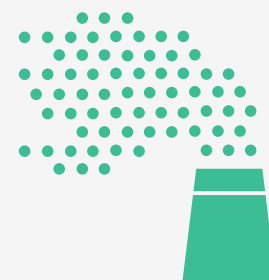
>10,000

users accessing Tusker's on-demand logistics platform, enabling consolidated deliveries to be made to underserved communities in southern India



1.7 million

tonnes of CO₂ avoided by WRI Ross Center for Sustainable Cities (EMBARQ) in 2018 alone



At a Glance: Strategic Report – Achievements and Performance

URBAN MOBILITY

SF provides support to unproven mobility businesses with scalable solutions that increase access to affordable, clean transport in cities, improve the delivery of urban and rural transport services, and reduce emissions intensity through technology innovation.

2018 key highlights

- Partnered with OkHi, which provides physical addresses to unmapped urban and peri-urban populations in Kenya, to increase their users from 35,000 to 95,000 and sign partnerships with Uber, Fargo Courier and Yum
- Expanded SafeBoda's customer base x40 and driver community x10 in Uganda and supported expansion of their ride-hailing motorbike taxi service into Kenya
- Supported SMV Green Solutions to provide e-rickshaw financing and business training to more than 450 riders in four Indian cities with 0% default rate, and partnered with DFID India to support the micro-business establishment of 32 female riders

Future plans

SF will continue to identify and support the scale-up of disruptive transport business models that better serve low-income consumers in Africa and India, whilst also advocating the issue as a major challenge to the international development community.

5million

safer trips made in Kampala, Uganda using the SafeBoda app

>450

e-rickshaws sold by Indian electric vehicle provider SMV Green Solutions in Uttar Pradesh



Safer motorcycle taxis from SafeBoda in Uganda

At a Glance: Strategic Report – Achievements and Performance

RURAL MOBILITY

Rural communities are often isolated from goods and services by distance and infrastructure. By supporting mobility businesses, SF is connecting these communities with markets for trade and the fundamentals of education, health and employment.

2018 key highlights

- Continued to support Globology, a passenger ferry service operating between islands on Lake Victoria, as it reached the business milestone of transporting more than a million people across its four routes
- Worked with Twiga Foods, a business-to-business food distribution company that links farmers and vendors to fair, trusted, modern markets, as they expanded their farmer customer base from 2,500 to more than 9,000 and increased the number of their collection centres from 10 to 48 across Kenya

Future plans

SF will continue to support pioneering solutions that connect rural, low-income consumers with essential products and services in an affordable manner, particularly where the introduction of technology has the potential to deliver significant impact to isolated communities.

>9,000

smallholder farmers connected to urban agricultural markets via Twiga Foods' platform

1million

customers served by Globology's waterbus ferry service on Lake Victoria

SUSTAINABLE MOBILITY - RESOURCES EXPENDED

	2018	2017
	\$000	\$000
Grants	5,161	3,959
Direct costs	274	407
Support costs	537	323
TOTAL	5,972	4,689



Globology's 'Waterbus' links residents of East Africa's islands on Lake Victoria

At a Glance: Strategic Report – Achievements and Performance

MOBILITY: CASE STUDY – SMV GREEN SOLUTIONS



SMV Green Solutions are an India-based company providing safe, clean and affordable mobility to commuters and drivers in Uttar Pradesh.

Drivers are provided with:

- Modern and safe e-rickshaws
- Vehicle registration, insurance and licence support
- Access to finance through formal financial institutions
- Training in business, financial literacy and road safety

In 2018, SMV launched 'Project Vahini' – an initiative to promote safe and affordable transport for female commuters and improve safety and income for women drivers.

This is part of the wider partnership with DFID India that seeks to encourage female participation in the Indian energy and mobility sector and create female-led micro entrepreneurs.

By empowering the drivers with their own vehicles and affordable finance, SMV are helping them escape a cycle of renting vehicles from informal 'landlords', giving them greater flexibility in their work patterns and increasing their financial viability.

Find out more at www.smgreen.com

460,000

livelihoods improved

545

jobs supported

32

Female e-rickshaw drivers established as micro-entrepreneurs





SME GROWTH

One of GroFin's successful entrepreneurs.
An animal feed company in Nigeria.

At a Glance: Strategic Report – Achievements and Performance

SME GROWTH

Small- and medium-sized enterprises (SMEs) in developing countries struggle to obtain finance from local banks as they lack the collateral, track record or skills. Yet they are vital to driving job creation and economic development.

2018 key highlights

- Supported CreditEnable (formally LendEnable), which provides tailored credit assessments on SMEs to help them access affordable capital, to enter a partnership with the Confederation of Indian Traders, with a membership of more than 70 million Indian businesses
- Worked with Deloitte and Omidyar Network to analyse the historical performance of SME funds, with five funds agreeing to participate and provide deeper understanding of the potential of the funds, and improve the alignment of investor returns expectations and fund performance
- Long-term SF partner GroFin, which provides risk finance to SMEs in the Middle East and Africa, was awarded the 2018 Islamic Economy Award, recognising its position as a pioneer in the sector in MENA

Future plans

As part of our 2022 strategy SF is working to incorporate SME Growth into the two main thematic focus areas – Access to Energy and Sustainable Mobility – believing that SMEs will continue to play a pivotal role in addressing these two development challenges.

\$15million

of investment raised by CreditEnable in 2018 alone

614,160

livelihoods improved by GroFin



Rivelco, the largest mushroom farm in East Africa. One of GroFin's Kenya-based clients



Phyma-Fresh which grows and exports fruit and vegetables is another GroFin client based in Kenya

SME GROWTH – RESOURCES EXPENDED

	2018	2017
	\$000	\$000
Grants	–	773
Direct costs	915	1,990
Support costs	–	203
TOTAL	915	2,966



INCUBATION

Solar powered refrigeration for produce from one of Factor[e]'s incubators ensures food stays fresher for longer in order to reach the marketplace in East Africa.

At a Glance: Strategic Report – Achievements and Performance

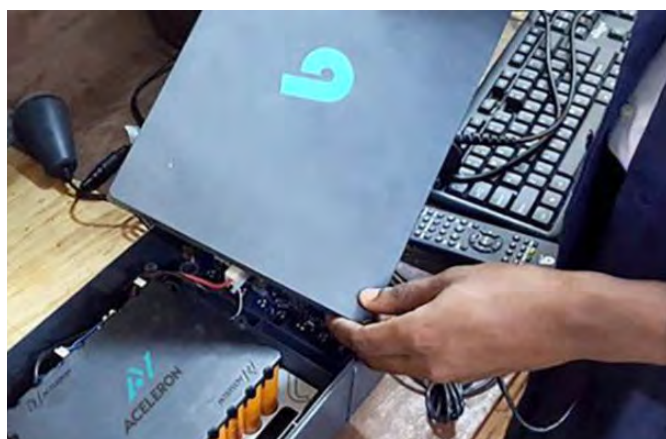
INCUBATION

This programme aims to test a diverse range of innovative technology and business models to identify which, if any, offer the potential to be both sustainable and scalable solutions that will increase access to energy and improve sustainable mobility in emerging countries.

SF's incubation strategy takes two main approaches: incubating new business models and technologies which can impact at least 10 million people and be globally scalable; and building new market enablers that can support growth.

Market Enablers

- Supported Aceleron, a UK-based developer of repairable lithium ion battery packs, to pilot their products to a selection of our off-grid enterprise partners in Kenya.
- With USAID, co-created Roving Heights, a catalytic institution to improve effectiveness of off-grid programmes in Nigeria by tackling market challenges in the sector through data and solar homes systems' deployment.



Aceleron has created a repairable lithium ion battery pack which are being provided to a selection of SF partners to test

Outsourced incubation

- Worked with Factor[e] Ventures, an identifier of early-stage tech solutions, as they signed partnership agreements with Stone Family Foundation, USAID and Rockefeller Foundation.
- Supported Sangam Ventures, an incubator of Indian energy start-ups, as they grew their investment portfolio to six enterprises and leveraged 3x in follow-on funding.
- Worked with Zone Startups India to manage the POWERED Accelerator programme, the world's first accelerator for women entrepreneurs in the energy sector.



Another Factor[e] incubatee – Agoro – replaces nitrogen fertilisers with biomass, creating massive carbon savings and increasing farmer revenue in East Africa

INCUBATION – RESOURCES EXPENDED

	2018	2017
	\$000	\$000
Grants	2,333	2,504
Direct costs	407	566
Support costs	271	227
TOTAL	3,011	3,297



Report of the Trustees and Financial Statements 2018

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

REPORT OF THE TRUSTEES

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Report of the Trustees for the year ended 31 December 2018

The Trustees, who are also directors of the Foundation for the purpose of the Companies Act, present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

The information with respect to trustees, directors, officers and advisors set out on page 4 forms part of this report as does the report on Achievement and Performance on pages 7 to 25. 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 'Charities SORP (FRS 102)' effective 1 January 2015, the Companies Act 2006 and the Charities Act 2011.

STATUS AND ADMINISTRATION

Shell Foundation ('the Foundation' or 'SF') 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).

Since 14 February 2008, the Foundation has had charity registration with the tax authorities in The Netherlands (as an *algemeen nut beogende instelling*, registration number 823793059). The Foundation is also registered in the United States of America under section 501(c)(4) of the Internal Revenue Code, identification number 98 0368454.

The Foundation has a single subsidiary, SF Investment Management Limited, (company number 09425215), which was incorporated in 2015 to manage a restricted programme with USAID to generate employment in Iraq through investment in small and growing businesses. On completion of this programme, any proceeds from the investments are to be returned to USAID.

Structure, Governance and Management

RELATIONSHIP WITH THE SHELL GROUP

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

Between incorporation and 31 December 2000, donations of \$259 million were received from the Shell Group, of which \$256 million was in the form of an expendable endowment and the balance as unrestricted funds.

In addition to the endowment, the Foundation has received restricted and unrestricted donations from the Shell Group totalling \$234 million to the end of 2018.

GOVERNANCE AND INTERNAL CONTROLS

Trustees are formally appointed by the sole member of the Foundation (The Shell Petroleum Company Limited). 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 at least twice each year. They review and approve:

1. The Foundation's financial results and statutory returns;
2. Internal controls (including delegation of authorities and segregation of duties);
3. Risks associated with the Foundation's activities and appropriate mitigation measures in respect of these;
4. The endowment investment returns, strategic asset allocation, and performance of the fund manager;
5. Social investment performance;
6. A strategic plan and annual budget for the Foundation;
7. Management accounts, variances from budget, and non-financial performance indicators;
8. The team's performance against pre-determined annual targets, including the scorecard outcome;
9. Certain proposed actions that are above the authority level of the Senior Management Team (SMT).

The Board is supported in items 1-3 by an Audit and Risk Committee (ARC); by an Investment Committee (IC) for item 4; and by a Remuneration Committee for item 8.

The ARC comprises two Trustees and two co-opted experts, who invite the Foundation Director, CFO and external auditor to attend as required. They take responsibility on behalf of the SF Board of Trustees to ensure that there is a framework for accountability; for examining and reviewing systems and methods of control, both financial and otherwise, including risk analysis and risk management; and for ensuring that SF is complying with all aspects of the law, relevant regulations and good practice. It reports back to the Board and makes recommendations as appropriate.

The IC comprises two Trustees, two co-opted experts, the Director and CFO, advised by an independent investment advisor (Cambridge Associates). The remit of the IC is to establish, review, recommend and report to the Board on the Investment strategy and policy for all financial investments and the selection and performance of fund manager(s) including the Investment management agreement(s).

Report of the Trustees for the year ended 31 December 2018 (continued)

The Remuneration Committee consists of four trustees. The committee reviews performance for the year as reflected in the Foundation's scorecard and makes a recommendation to the Board for the scorecard outcome. The scorecard outcome determines a component of the remuneration of Shell Foundation staff.

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.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Report of the Trustees (including the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standard FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (2006 Companies Act). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Foundation and the Group and of the incoming resources and application of resources, including the income and expenditure, of the Group 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 FRS102 Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Foundation will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Foundation's transactions and disclose with reasonable accuracy at any time the financial position of the Foundation and the Group 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 Foundation and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Trustees are aware:

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

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.

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 grant approval, there is an expectation that the project is likely to be successful and, therefore, that the grant commitment will be paid in full. Grants are assessed and approved by the Board of Trustees or Management Team, depending on value.

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 Commitment (LOC) is that the grantee will be able to achieve the milestones. Progress against milestones is monitored using a variety of methods including reports from the grantee, meetings with grantees, reviews of their business, visits to the grantee sites and receiving feedback from the communities the grantee is serving. 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.

SOCIAL INVESTMENTS

Grant funding continues to be SF's standard mechanism for early support to partners. Other forms of social investment will be considered, in relation to the scale-up of existing Foundation strategic partners and in ways that confer advantages (e.g. leveraging support from other investors), and this may include convertible grants, repayable grants/loans, fund investments, equity, and financial guarantees.

Report of the Trustees for the year ended 31 December 2018 (continued)

These social investments further the delivery of SF's charitable objectives and KPIs.

Any private benefit generated by SF's social investments is incidental to the pursuit of the public benefit and its charitable objectives. The Foundation seeks to liquidate its social investments once the investee enterprise is sufficiently mature and profitable to attract a broader range of growth stage investors and funding. However, grants may continue to be provided for more mature partners to fund specific research areas, new products, or market entries that otherwise would not be commercially viable yet have the potential to deliver significant social impact.

OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The primary objectives of the Foundation 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 Access to Energy, Sustainable Mobility and Incubator programmes.*
2. *The relief of poverty, suffering, hardship and distress. This objective has been furthered via grants made through all the Foundation's programmes.*

These objectives have been met through the activities described in this report.

The Trustees confirm they have complied with the guidance contained in the Charity Commission's general guidance on public benefit in section 4 of the Charities Act 2011 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.

Financial Review

FINANCIAL ACTIVITIES

The Statement of Financial Activities is included with the financial statements on page 34.

PRINCIPAL FUNDING SOURCES

The Foundation's annual grant programmes are funded by distributions from its endowment fund. Shell Group made unrestricted donations of \$6 million in 2018 and \$1 million was recognised in restricted funding. Restricted donations totalling \$11.3 million were received from DFID, USAID, IADB and Rockefeller Foundation enabling the Foundation to amplify its programme.

RESERVES

The Foundation holds an expendable endowment to sustain the funding of its annual programmes. The trustees adopted a new investment policy in 2011, which aims to maintain the real value of both distributions and the endowment asset value.

The Foundation's endowment constitutes unrestricted reserves and is sufficient to meet the commitments and ambitions of the Foundation now and in the future. Commitments are met by liquidating endowment assets as and when required. The reserve policy is reviewed regularly by the Audit & Risk Committee.

At the year end the restricted funds were in surplus to the extent of social investments made under the DFID TIME partnership. On repayment, these funds will be redirected to new projects to further our charitable objectives consistent with the Partnership governing documents.

ENDOWMENT INVESTMENT POLICY AND PERFORMANCE

In 2011, following a review of the investment objectives and strategy, the Trustees adopted an investment policy which aims to maintain the real value of both distributions and the endowment asset value. To achieve this, the endowment is invested in a diversified portfolio of global equities, hedge funds, fixed income and, from 2018, real estate. In order to mitigate the risk associated with currency exposure, the investment portfolio is partially hedged back to the Foundation's functional currency of US Dollars (by the investment manager) through the use of forward contracts.

The macro-economic outlook was positive at the start of 2018, with the expectation of globally synchronised growth and slightly higher interest rates in most regions. Unemployment levels continued to fall throughout the year, setting multi decade lows in the UK, US and Japan. In addition, European unemployment continued to steadily fall. Inflationary pressures remained muted. Later in the year concerns started to develop about global trade and tariffs as well as the impact of a rising dollar, especially on some Emerging Markets. This resulted in a risk-off attitude to capital markets in Q4, whereby equity markets corrected significantly, credit spreads widened and interest rates declined again.

The total return of the portfolio for the year was negative (-6.3%) with a slight excess return above the benchmark of 0.7%.

The equity portfolio posted a -11.0% return over the year, all of which materialised in Q4. Within the equity portfolio the North American markets were the strongest performers, as this region only declined by 5.1%. Fixed income showed positive results over the year (+1.8%), with both the credit pool (+2.0%) and the US treasury portfolio (+1.4%) delivering

Report of the Trustees for the year ended 31 December 2018 (continued)

positive returns. The hedge fund portfolio performance was positive over 2018 (+0.6%), outperforming the broader hedge fund universe due to the conservative nature of the portfolio and strong manager selection. Real estate, the new asset class for the Foundation in 2018, recorded a +5.2% total return for the year. Here, investment activity remains relatively high as investors keep being attracted to the positive spread between property and bond yields.

Over a three-year horizon, all asset categories posted positive absolute returns.

PLANS FOR FUTURE PERIODS

See the review of achievements and performance on pages 7 to 25 for details of future plans.

PRINCIPAL RISKS AND UNCERTAINTIES

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 and actions taken to mitigate the risk. The Trustees review these assessments at least twice a year, at their board meetings. None of the key risks is currently regarded as posing an unacceptable residual exposure.

These risks include:

Reputation: Maintaining an appropriate reputation is fundamental to SF's ability to deliver meaningful positive benefit to its target beneficiaries, as it impacts the Foundation's ability to attract and maintain partnerships across both public and private sectors. The Trustees are attuned to the range of issues which could affect the Foundation's reputation, monitor reputational issues closely and are committed to taking the actions necessary to protect the reputation of SF.

Staff: Its experienced and committed team is a key asset of SF and of fundamental importance to its success. The ability to attract, retain and motivate team members is therefore essential to SF's ongoing activity. The Board seeks to ensure that any issues related to SF's team are managed timely and effectively by the senior management team.

Partners: The Foundation is reliant on strategic partners to take programmes forward and build both developmentally sound and financially viable businesses. This risk continues to be managed through the careful selection process for new partners, and ongoing management of existing partners.

Independence and relationship with Shell: The Trustees explicitly recognise their charitable responsibilities in this regard by stating formally in Shell Foundation's Business Principles that the Foundation'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. Activities that could give rise to heightened independence concerns are identified and managed accordingly, including regular reporting to the Audit & Risk Committee where appropriate. The ARC is chaired by an external Trustee for the review of any matter which relates specifically to this risk.

Investment Risk: The long-term financial independence of the Foundation depends on the performance of the endowment fund. The Trustees have implemented clear investment objectives and the Investment Committee regularly reviews investment performance and strategy. To ensure the Foundation's investment objectives are met, there is a considerable allocation to return-seeking assets, meaning volatility in annual investment performance is expected and accepted.

The Foundation has also made a number of social investments. The key financial risk associated with these investments is the size, timing and reliability of cash flows. This cash flow risk is mitigated by regular monitoring of the investments and a prudent approach in cash flow forecasting.

Monitoring and Evaluation: A delivery risk on monitoring and evaluation is recognised as the Foundation has grown significantly over recent years, requiring renewed focus on implementing efficient and systematic ways to measure its charitable performance and research outcomes. To support this, the team includes a dedicated member of staff and a new software package was recently implemented.

Compliance: The increase in the size and complexity of SF, combined with an ever more demanding external regulatory environment, presents a heightened compliance risk. As SF increasingly works closely with external donors it is essential to ensure that their requirements are understood and met alongside other legal, regulatory and reporting requirements. To mitigate this risk, teams have been strengthened and additional training is provided to staff as required. Support is provided to partners to help ensure that compliance is appropriately managed in their businesses.

Portfolio management: This risk also relates to the growth in SF. As the number of partners has increased so have the demands of managing them effectively to ensure delivery of SF's objectives and donors' expectations. Senior management carefully monitors the allocation of partners within the programme team as new partners are added, existing partners mature and SF staffing changes. Partners are reallocated and the team strengthened when necessary.

Report of the Trustees for the year ended 31 December 2018 (continued)

Brexit: Brexit has the potential to disrupt SF activities in a number of ways. Possible impacts include reduced endowment investment returns, exchange rate volatility, political turmoil impacting government funding for international development, staffing issues and difficulty travelling overseas. SF is monitoring developments closely to ensure that to the extent possible, it can respond to such issues should they arise.

Health, Safety, Security and Environment (HSSE):

SF's own staff frequently travel to remote or developing places as they work with partners. The risks associated with this are carefully managed, including making use of the Shell Group's HSSE systems where possible. SF provides mentoring and guidance on HSSE to its partners and monitoring their HSSE systems forms part of the annual partner assurance process. In particular, SF is conscious that its partners' activities may give rise to heightened risk associated with safeguarding requirements. A safeguarding best practice note has been shared with partners to assist them in managing this risk.

INDEPENDENT AUDITOR

The sole member approved the adoption of Elective Resolutions on 28 March 2001, in accordance with the Companies Act 2006, to dispense with (a) the holding of Annual General Meetings, (b) the laying of report and financial statements before general meetings each year, and (c) the annual re-appointment of auditors.

Ernst & Young LLP accordingly shall be Independent Auditor of Shell Foundation pursuant to section 487(2) of the Companies Act 2006. In accordance with the Companies Act 2006, any Member or the Auditors may require the report and financial statements 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 financial statements and reports to Members.

The Report of the Trustees, including the Strategic Report, were approved by the Trustees and signed on their behalf by order of the Board:



Gail Klintworth
Director
13 June 2019

Independent Auditor's report to the member of Shell Foundation

Opinion

We have audited the financial statements of Shell Foundation (the 'charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of financial activities, consolidated income and expenditure account, consolidated and charity balance sheets, cash flow statement and consolidated cash flow statement and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's and group's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's and group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 31 other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have identified no material

Independent Auditor's report to the member of Shell Foundation (continued)

misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 28, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the charitable company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Reid (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

Date: 17 June 2019

Notes:

1. The maintenance and integrity of the Shell Foundation's web site is the responsibility of the trustees; 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of financial activities for the year ended 31 December 2018

Company Registered Number: 4007273

	Note	Unrestricted Funds 2018 \$000	Restricted Funds 2018 \$000	Endowment Funds 2018 \$000	Total Funds 2018 \$000
Income and endowments from					
- Donations	2	6,004	12,254	-	18,258
- Donated services	2	577	-	-	577
- Investments	3	414	5	9,883	10,302
Total Incoming Resources		6,995	12,259	9,883	29,137
Expenditure on Raising Funds					
Investment management costs		-	-	(298)	(298)
Total Cost of Raising Funds		-	-	(298)	(298)
Charitable Activities					
- Access to Energy		(12,083)	(6,962)	-	(19,045)
- Sustainable Mobility		(5,880)	(92)	-	(5,972)
- Sustainable Job Creation		(742)	(173)	-	(915)
- Incubator		(2,165)	(846)	-	(3,011)
- Policy and Advocacy		(29)	-	-	(29)
Total Charitable Activities	4	(20,899)	(8,073)	-	(28,972)
Total Resources Expended		(20,899)	(8,073)	(298)	(29,270)
Net (losses) on investments					
Realised and Unrealised (losses) on the revaluation and disposal of investment assets		-	-	(40,583)	(40,583)
Net income/(expenditure) before transfers		(13,904)	4,186	(30,998)	(40,716)
Transfers between funds		16,302	-	(16,302)	-
Net income/(expenditure)		2,398	4,186	(47,300)	(40,716)
Net Movement in Funds		2,398	4,186	(47,300)	(40,716)
Fund balances brought forward at 1 January		40,074	5,349	506,608	552,031
Fund balances carried forward at 31 December		42,472	9,535	459,308	511,315

The Foundation has elected to take the exemption under section 48 of the Companies Act 2006 not to present the Foundation statement of financial activities. The Foundation's net movement in funds in 2018 was \$41 million deficit. All incoming resources, resources expended and resulting net movements in funds were derived from continuing activities.

The accompanying notes form part of these financial statements.

Consolidated statement of financial activities for the year ended 31 December 2017

Company Registered Number: 4007273

	Note	Unrestricted Funds 2017 \$000	Restricted Funds 2017 \$000	Endowment Funds 2017 \$000	Total Funds 2017 \$000
Income and endowments from					
- Donations	2	6,030	17,293	-	23,323
- Donated services	2	1,346	-	-	1,346
- Investments	3	507	3	9,541	10,051
Total Incoming Resources		7,883	17,296	9,541	34,720
Expenditure on Raising funds					
Investment management costs		-	-	(357)	(357)
Total Cost of Raising Funds		-	-	(357)	(357)
Charitable Activities					
- Access to Energy		(12,864)	(13,989)	-	(26,853)
- Sustainable Mobility		(4,689)	-	-	(4,689)
- Sustainable Job Creation		(2,821)	(145)	-	(2,966)
- Incubator		(1,791)	(1,506)	-	(3,297)
- Policy and Advocacy		(67)	-	-	(67)
Total Charitable Activities	4	(22,232)	(15,640)	-	(37,872)
Total Resources Expended		(22,232)	(15,640)	(357)	(38,229)
Net gains on investments					
Realised and Unrealised gains on the revaluation and disposal of investment assets		-	-	68,407	68,407
Net income/(expenditure) before transfers		(14,349)	1,656	77,591	64,898
Transfers between funds		13,643	-	(13,643)	-
Net income/(expenditure)		(706)	1,656	63,948	64,898
Net Movement in Funds		(706)	1,656	63,948	64,898
Fund balances brought forward at 1 January		40,780	3,693	442,660	487,133
Fund balances carried forward at 31 December		40,074	5,349	506,608	552,031

The Foundation has elected to take the exemption under section 48 of the Companies Act 2006 not to present the Foundation statement of financial activities. The Foundation's net movement in funds in 2017 was \$65 million surplus. All incoming resources, resources expended and resulting net movements in funds were derived from continuing activities.

The accompanying notes form part of these financial statements.

Consolidated income and expenditure account for the year ended 31 December 2018

	2018 \$000	2017 \$000
Income	18,835	24,669
Gains on investments	-	68,407
Interest and investment income	10,302	10,051
Gross income in the reporting period	29,137	103,127
Expenditure	(28,471)	(36,303)
Interest payable	-	-
Depreciation and charges for impairment of fixed assets	(799)	(1,926)
Loss on investments	(40,583)	-
Total expenditure	(69,853)	(38,229)
Net expenditure before tax for the reporting period	(40,716)	(64,898)
Tax payable	-	-
Net (deficit)/surplus of income over expenditure for the year	(40,716)	64,898

Consolidated and charity balance sheets as at 31 December 2018

	Note	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Fixed Assets					
Endowment	10	459,308	506,608	459,308	506,608
Investments	11	48,170	47,392	45,923	44,972
Subsidiary undertakings	12	-	-	2,523	2,702
Total Fixed Assets		507,478	554,000	507,754	554,282
Current Assets					
Debtors:					
amounts falling due within one year	13	7,196	11,266	7,196	11,266
amounts falling due after one year	13	980	1,147	980	1,147
		8,176	12,413	8,176	12,413
Cash at bank and in hand	14	13,456	14,385	13,169	14,094
Investments	11	3,544	1,992	3,544	1,992
Total Current Assets		25,176	28,790	24,889	28,499
Creditors: amounts falling due within one year	15	(17,701)	(26,604)	(17,690)	(26,595)
Net Current Assets	18	7,475	2,186	7,199	1,904
Total Assets less Current Liabilities		514,953	556,186	514,953	556,186
Creditors: amounts falling due after more than one year	16	(3,638)	(4,155)	(3,670)	(4,176)
Net Assets		511,315	552,031	511,283	552,010
The funds of the Foundation:					
Endowment Funds	17	459,308	506,608	459,308	506,608
Unrestricted Funds	17	42,472	40,074	42,472	40,074
Restricted Funds	17	9,535	5,349	9,503	5,328
Total Foundation Funds		511,315	552,031	511,283	552,010

The accompanying notes form part of these financial statements.

The financial statements on pages 34 to 63, authorised for issue, approved by the Trustees and signed on their behalf by:

Gail Klintworth
Director
13 June 2019

Cash flow statement and consolidated cash flow statement for the year ended 31 December 2018

	Note	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Net cash used in operating activities	19	(14,408)	(9,939)	(14,400)	(9,953)
Cash flow from investing activities					
Cash expended on endowment fund fees		(298)	(357)	(298)	(357)
Investment Income – unrestricted and restricted		333	510	328	507
Investment income from endowment funds		9,883	9,541	9,883	9,541
<i>Endowment Fund</i>	10				
Purchase of investments		(103,606)	(122,958)	(103,606)	(122,958)
Sale of investments		105,414	129,126	105,414	129,126
Gain/(Loss) on foreign exchange		87	341	87	341
Decrease (Increase) in investment cash		4,699	(1,839)	4,699	(1,839)
<i>Investments</i>	11				
Purchase of programme related investments		(3,763)	(9,502)	(3,763)	(9,502)
Sale of programme related investments		634	365	634	365
Net cash from investing activities		13,383	5,227	13,378	5,224
Cash flow from financing activities					
Transfer out from endowment fund		(16,302)	(13,643)	(16,302)	(13,643)
Transfer in to unrestricted funds		16,302	13,643	16,302	13,643
Net cash used in financing activities		-	-	-	-
Net decrease in cash and cash equivalents		(1,025)	(4,712)	(1,022)	(4,729)
Cash and cash equivalents at the beginning of the year		14,385	18,820	14,094	18,522
Foreign Currency Effect		96	277	97	301
Cash and cash equivalents at the end of the year		13,456	14,385	13,169	14,094

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2018

1. Summary of Significant Accounting Policies

GENERAL INFORMATION

Shell Foundation ('the Foundation') and its subsidiary, SF Investment Management Limited (together 'the Group') is an independent charity established by the Shell Group in 2000 to create and scale new solutions to global development challenges. We apply business thinking to major social and environmental issues linked to the energy sector – and seek to leverage the skills and networks of Shell where possible to deliver greater development impact.

The company is a private company limited by guarantee and is incorporated in England. The address of its registered office is Shell Centre, York Road, London, SE1 7NA.

STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with the 'Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102)', effective 1 January 2015, and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

BASIS OF PREPARATION

These consolidated and separate financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments. Social investments are recorded at historical cost less any impairment.

The Trustees are assured of the Foundation's ability to continue on a going concern basis due to the liquid nature of the large endowment – the fund is sufficient to cover 17 years of expenditure at the current planned rate of around \$27 million per annum for unrestricted funds.

BASIS OF CONSOLIDATION

The financial statements consolidate the results of the Foundation and its wholly owned subsidiary SF Investment Management Limited on a line by line basis. A separate Statement of Financial Activities and Investment and Expenditure Account for the Foundation has not been presented as the Foundation has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

FOREIGN CURRENCY

Functional and presentation currency

The Group financial statements are presented in United States dollars and rounded to thousands.

The Foundation's functional and presentational currency is the US dollar. This is because the operating currency of the Foundation is US Dollars, reflecting the high proportion of grants awarded and donations received in dollars and consequent dollar weighting of its investment funds.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the daily mean rate entered into the accounting system at the beginning of the month in which the transaction occurred.

At each period end, foreign currency monetary items are translated using the closing exchange rate. The exchange rate used at the year end to translate Sterling (GBP £) to US Dollars (USD \$) was GBP/USD \$1.2736 (2017 was GBP/USD \$1.3508).

Notes to the financial statements for the year ended 31 December 2018 (continued)

FUND ACCOUNTING

Funds held by the Foundation are either:

- general unrestricted income funds, that are expendable at the discretion of the Trustees in furtherance of the Foundation'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.

INCOME AND ENDOWMENTS

Donations and investment income are included in the Statement of Financial Activities when the Foundation is legally entitled to the income, receipt is probable and its amount can be measured reliably. Restricted donations include government grants as detailed further in Note 2. Donated services, if applicable, are included in income at a valuation, which is an estimation of the value to the Foundation. Donated services of \$0.6 million were received in 2018 (2017: \$1.3 million).

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 investment strategy.

EXPENDITURE

The related expense for Donated services received, are included in expenditure at a valuation, which is an estimation of the value to the Foundation. Related Donated services expenditure was \$0.6m in 2018 (2017: \$1.3 million).

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 RAISING FUNDS

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

CHARITABLE ACTIVITIES

Charitable activity costs are comprised of grants, costs for processing grants and applications, direct costs invoiced to the Foundation, and for the administration and monitoring of projects. These costs include costs 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 Letters of Commitment (LOCs) 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.

Within support costs are costs for the strategic running of the Foundation itself as an organisation, as distinct from directly pursuing its charitable activities and 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 donated overhead costs.

VALUE ADDED TAX ('VAT')

The Foundation is registered for Value Added Tax ('VAT') as part of the Shell International Petroleum Company VAT Group. Services provided by members of the same VAT group are not taxable. VAT incurred by the Foundation on all other expenditure is not recoverable, as the Foundation 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.

Notes to the financial statements for the year ended 31 December 2018 (continued)

GAINS AND LOSSES ON FOREIGN EXCHANGE

Monetary assets and liabilities denominated in currencies other than US Dollars are converted to US Dollars at the rate ruling at the balance sheet date. Items of income and expenditure in non-US Dollar currencies are converted at the daily mean rate entered into the accounting system at the beginning of the month in which the transaction occurred. Non-US Dollar items primarily relate to UK operating costs, which are incurred in pounds sterling ('GBP'), as well as a proportion of grants awarded in GBP and Euros. 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.

Programme related investments and mixed motive investments are carried at cost less any provision for impairment. Such investments are not able to be carried at fair value as there is no open market for such investments. All programme related investments and mixed motive investments are subject to review, and any impairment is charged to the Statement of Financial Activities.

FINANCIAL ASSETS

(i) Classification

The Foundation classifies its financial assets in the following categories: at fair value through SOFA; loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1. Financial assets at fair value through the SOFA

Financial assets at fair value through the SOFA are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Foundation's loans and receivables comprise trade, contractual loans and cash on the balance sheet.

(ii) Recognition and measurement

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the SOFA. Financial assets carried at fair value through the SOFA are initially recognised at fair value, and transaction costs are expensed in the SOFA. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Foundation has transferred substantially all risks and rewards of ownership. Loans and trade and other receivables are subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through the SOFA' category are presented in the SOFA within interest income or expenses in the period in which they arise.

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 100% of non-US Dollar denominated fixed income investments and 100% of non-US dollar hedge fund investments. 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 for the year ended 31 December 2018 (continued)

FINANCIAL LIABILITIES

(i) Classification

The Foundation classifies its financial liabilities in the following categories: at fair value through the SOFA; and amortised cost. The classification depends on the nature of the underlying liabilities, with management determining the classification of financial liabilities at initial recognition.

1. Financial liabilities at fair value through the SOFA

Financial liabilities at fair value through the SOFA are those held for trading, and derivatives in a negative fair value position. These liabilities are classified as current where expected settlement is within 12 months, otherwise they are classified as non-current liabilities.

2. Financial liabilities at amortised cost

All other financial liabilities which do not meet the criteria of fair value through the SOFA are held at amortised cost.

(ii) Recognition and measurement

Financial liabilities are initially recognised at fair value, and then subsequently at either fair value through the SOFA or at amortised cost. Those financial liabilities held at fair value through the SOFA are revalued at each balance sheet date, with gains and losses recognised directly in the SOFA. All other liabilities are carried at amortised cost using the effective interest rate method.

INVESTMENT IN SUBSIDIARIES AND PARTICIPATING UNDERTAKINGS

These comprise investments in shares and loans that the Foundation intends to hold on a continuing basis. The investments in subsidiaries and participating undertakings are stated at cost, less provisions for impairment. The Foundation carries out a review for the potential impairment of an investment if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with SORP 21.28. Any impairments are recorded in the SOFA.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are evaluated and based on historical experience and reasonable expectations of future events. Income and expenditure are recognised where it is probable that there will be an inflow or outflow of resources; restricted income is accrued to the extent that the conditions for receipt have been met, and liabilities recognised for expenditure that has been committed by the Foundation to its partners via signed letters of commitment with the partners agreeing to any terms. Programme related investments and mixed motive investments are carried at cost less any provision for impairment. Such investments are not able to be carried at fair value as there is no open market for such investments. All investments are subject to impairment reviews. Provisions for share-based payments are estimated based on past practice of cash settlements.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Donations and other income

	2018 \$000	2017 \$000
Cash and accrued		
<i>Unrestricted</i>		
Shell Energy Europe Limited	6,000	6,000
Shell International Ltd – donated services	577	1,246
BG Auction Donation	-	30
Skadden – donated services	4	100
<i>Restricted donation – Non Government related</i>		
Rockefeller Foundation	500	-
Shell International Ltd	1,000	-
<i>Restricted donation – Government related</i>		
Department for International Development	9,098	10,911
United States Agency for International Development	1,289	6,172
Inter-American Development Bank	188	200
Other Income		
<i>Restricted donation – Government related – payable reduction</i>		
United States Agency for International Development	179	10
	18,835	24,669

The geographical markets donations were received from: United Kingdom \$16.7 million (2017: \$18.3 million), worldwide \$0.2 million (2017: \$0.2 million) and United States of America \$2.0 million (2017: \$6.2 million).

Restricted donations – government related

Department for International Development (DFID)

DFID TIME (Transforming Inclusive Energy Markets): Through the TIME partnership, DFID and Shell Foundation, in collaboration, have committed £60.0 million to further their mutual objective of accelerating global access to modern energy services for low-income households and small businesses. Donations of \$12.3 million (2017: \$11.1 million) were received in 2018 against this programme, which relate to amounts recognised as income in both the current and prior years. Income of \$8.0 million (2017: \$10.3 million) was recognised in 2018, based on the value of the Shell Foundation commitments to partners made during the year.

DFID POWERED India (Promotion of Women in Energy-Related Enterprises for Development): DFID has committed £2.0 million, over three and a half years, to focus on increasing the employment of women in the energy value chain in India and, supporting the scale-up of women-led energy enterprises in India. Donations of \$0.3 million (2017: \$0.5 million) were received in 2018 against this programme. Income of \$1.1 million (2017: \$0.5 million) was recognised in 2018, based on the value of the Shell Foundation commitments to partners made during the year.

United States Agency for International Development (USAID)

USAID SEAM (Scaling Energy Access Markets in Africa): Through the SEAM partnership, USAID and Shell Foundation have committed \$42.1 million grant funding over five years. The aim is to increase the number of low-income households and businesses connections in Sub-Saharan Africa, providing access to clean, modern energy services. Donations of \$2.7 million (2017: \$1.8 million) were received in 2018 against this programme, which relate to amounts recognised as income in both the current and prior years. Income of \$1.4 million was recognised in 2018, based on the value of the Shell Foundation commitments to partners made during the year.

USAID PACE (Partnering to Accelerate Entrepreneurship): USAID have committed \$2.0 million grant funding from PACE over three years, against which Shell Foundation (SF) would contribute \$12.9 million in grant funding and ongoing business support to grantees. Three complementary acceleration models: Factor[e], Sangam and SF's in-house Incubator have a mandate to support entrepreneurs seeking to provide access to modern energy services for low-income communities in developing countries, with a focus on Africa and Asia. The PACE programme concluded in September 2018 with \$0.3m due to Shell Foundation, to be received on completion of the final reports.

Notes to the financial statements for the year ended 31 December 2018 (continued)

Inter-American Development Bank (IADB)

IADB will make available up to \$1.0 million to accelerate social impact enterprises in Latin America and the Caribbean through the Shell Foundation incubation/scale-up methodology. The donation targets innovative market-based solutions in energy and sustainable infrastructure for low-income consumers. \$0.2 million (2017: \$0.2 million) was received and recognised in 2018 against this programme.

Other income – government related

United States Agency for International Development (USAID)

USAID Iraq MENA II (Middle East and North Africa Investment Initiative): USAID have committed a repayable donation of \$4.0 million to support job creation in Iraq. This has been invested with the GroFin Nomou Iraq Fund: A unique integrated solution of patient risk capital and end-to-end business support to start-up and growing businesses, to catalyse the SME sector as a major driver of sustainable job creation in Iraq. An impairment in this investment has been recognised during 2018 resulting in a subsequent reduction in the amount payable to USAID, which was recognised as income. In 2018, the reduction in payable was \$0.2m (2017: Nil).

Notes to the financial statements for the year ended 31 December 2018 (continued)

3. Investment income

	2018 \$000	2017 \$000
Interest	419	510
Fixed interest securities	1,287	1,898
Dividends	8,596	7,643
	10,302	10,051

Investment income has been derived from dividends received from equity investments and interest from fixed interest securities held within the endowment fund. These amounts are reinvested in the endowment fund.

4. Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2018 \$000	2017 \$000
Access to Energy	(11,581)	(5,751)	(1,713)	(19,045)	(26,853)
Sustainable Mobility	(5,161)	(274)	(537)	(5,972)	(4,689)
Sustainable Job Creation	-	(915)	-	(915)	(2,966)
Incubator	(2,333)	(407)	(271)	(3,011)	(3,297)
Policy and Advocacy	-	(29)	-	(29)	(67)
Total for 2018	(19,075)	(7,376)	(2,521)	(28,972)	(37,872)
Total for 2017	(29,218)	(6,053)	(2,601)		

Direct costs include goods and services invoiced to the Foundation 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 total grant and direct costs. The activities making up these costs are shown in note 5 below.

5. Direct and Support Costs

	Direct costs \$000	Support costs \$000	2018 \$000	2017 \$000
Staff costs	(2,429)	(1,352)	(3,781)	(3,444)
External services	(3,619)	-	(3,619)	(976)
Communications	(6)	(242)	(248)	(252)
Travel	(655)	(140)	(795)	(715)
Training	(18)	(31)	(49)	(31)
Impairment of investments	(799)	-	(799)	(1,926)
External audit fees (inclusive of VAT)	-	(79)	(79)	(77)
Legal fees	-	(3)	(3)	-
Donated expenses	-	(577)	(577)	(638)
Trustee expenses	-	(11)	(11)	(7)
Sundry	(52)	(169)	(221)	(71)
Exchange gain/loss	202	83	285	(517)
Total	(7,376)	(2,521)	(9,897)	(8,654)

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 Foundation-wide. Within external services for 2018, no cost has been recorded to Shell Group companies (2017: \$58k).

Net incoming resources are stated after charging auditor's remuneration for audit services ('External Audit Fees') as shown above. These are the fees for the audit of the Group's Financial Statements.

The limitation on auditors' liability for external audit is £2 million. The external auditors were appointed in 2016 and the most recent terms of engagement signed on 11 March 2019.

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Grants expenditure

The top 20 Grantees in 2018 (excluding repayable grants and social investments) are listed below, together with their corresponding 2017 commitments.

Grantee Name Purpose of Project	Programme	2018 \$'000	2017 \$'000
Gajam Group Limited Acceleration Funding for Dharma Life POWERED - Creating Female entrepreneurs in the Energy Value chain	Access to Energy	1,238	808
Odyssey Energy Solutions Inc Odyssey Scale up; Testing results based financing through Odyssey	Access to Energy	1,200	750
Apollo Agriculture Inc Removing the financial barriers to serving smallholder farmers - enabling a pathway to energy access	Access to Energy	1,000	-
Persistent Energy Capital LLC Increase access to energy in under-served African markets	Access to Energy	940	1,050
BBOXX Ltd. Scaling up PAYG franchise model in the large frontier market of Democratic Republic of Congo (DRC) Co-creation pilot to unlock new carbon financing opportunity leveraging blockchain mechanism.	Access to Energy; Incubator	930	300
Factor[e] Ventures PBC Continuing the scale up of Factor[e] Ventures as a disruptive incubator of enterprises and technologies, including Electric Vehicle to Mini-grid Pilot	Access to Energy; Incubator	809	1,800
SunCulture Proving out PAYGo for solar water pumps and irrigation products at scale	Access to Energy	800	-
Future Fit Foundation Impact sustainable development goals benchmarking	Access to Energy	644	-
Global Off-Grid Lighting Assoc Building a sustainable sector association	Access to Energy	500	-
Greenlight Planet Inc Expanding PAYG Solar in Nigeria	Access to Energy	500	1,025
Roving Heights Nigeria Nigeria Off-Grid Market Acceleration Programme	Access to Energy	472	-
Frontier Finance Solutions Piloting the development of an ADALY (Averted Disability Adjusted Life Years) health impact bond for clean cookstoves	Access to Energy; Incubator	445	-
Buen Manejo del Campo, SA Energy for Business through Biogas fuel – appliance development for productive use and development of path to local manufacturing	Access to Energy	425	204
Shortlist Professionals, Inc Accelerating new models to equip the energy sector with talent needed for scale	Access to Energy	420	-
Energy Private Developers Market Acceleration in Rwanda addressing local market barriers for local enterprises	Access to Energy	400	150
Subtotal	Access to Energy	10,723	6,087

Notes to the financial statements for the year ended 31 December 2018 (continued)

Grantee Name Purpose of Project	Programme	2018 \$'000	2017 \$'000
Brought forward subtotal for top 20 grantees from previous page		10,723	6,087
Stichting Smart Freight Centre Driving Down Freight Emissions to Beat 2 Degrees	Sustainable Mobility	1,234	1,096
World Resources Institute Integrated Transport City - Phase I	Sustainable Mobility; Incubator	1,200	800
SafeBoda (reg. Guinness Trans) Innovation in Urban Motorcycle Taxi Hiring in Kampala and Nairobi	Sustainable Mobility	800	-
WherelsMyTransport Ltd Creating data for transport platforms; improving access to public transport information for low-income users	Sustainable Mobility	650	280
Tugende Limited Finances income-generating assets for unserved, financially-excluded customers in Uganda	Sustainable Mobility	450	-
Subtotal		4,334	2,176
Total Top 20 Grants		15,057	8,263
Total: Other Grants		4,018	20,955
Total: Grants (excl. repayable grants and social investments)		19,075	29,218

7. Trustee Information

No trustee received any remuneration from the Foundation during the year. The Foundation directly incurred or reimbursed travel expenses in relation to three trustees, totalling \$11,195 (2017: \$7,506 in relation to four trustees).

No indemnity insurance for trustees' liability has been purchased by the Foundation. 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.

Notes to the financial statements for the year ended 31 December 2018 (continued)

8. Employee Information

As an independent charity, Shell Foundation benefits in a number of ways from leveraging its links to Shell Group to achieve its mission and objectives. One example of this is with respect to staffing. The Foundation has no direct employees. Instead, employees of Shell Group companies are dedicated to work full-time for the Foundation in sole pursuit of its charitable objectives. Their remuneration is based on The Shell Group Global Pay Policy and their performance is assessed against pre-determined personal targets concerning their work for the Foundation as well as their wider contribution to meeting the Foundation's overall charitable mission. The monthly average staff employed by Shell Group companies to work for the Foundation during the year was 22.9 (2017: 20.3). The monthly average split of employees between direct and support activities was direct 14.1 (2017: 11.8) and support 8.8 (2017: 8.5).

Staff expenditure included in Direct and Support costs (note 5) charges at cost in respect of the services of these Shell Group employees, including salaries, taxes and office overhead costs. The salary and taxes paid by Shell Group companies in relation to these employees are as follows:

	2018	2017
	\$000	\$000
Wages and salaries	(2,832)	(2,488)
Social security	(310)	(275)
Other pension costs	(344)	(300)
Performance Share Plan (PSP)	(82)	(161)
	(3,568)	(3,224)

SHARE-BASED COMPENSATION PLANS

The principal share-based employee compensation plan applied under The Shell Group Global Pay Policy to Shell Foundation staff is the Performance Share Plan (PSP). Awards of Royal Dutch Shell plc shares under the PSP are granted to eligible Foundation employees based on performance. The actual amount of shares that may vest ranges from 0% to 200% of the awards, depending on the outcomes of prescribed performance conditions over a three-year period beginning on 1st January of the award year. Shares vest for nil consideration. The cash value of the awards is charged to The Foundation on vesting. The Foundation has estimated and recognised a liability of \$0.15 million at the year-end for PSPs granted between 2016 and 2018 that vest in future years.

The salary and taxes paid by Shell Group companies in relation to key management personnel, consisting of the Director, Chief Financial Officer and two Deputy Directors, are as follows:

	2018	2017
	\$000	\$000
Wages and salaries	(955)	(871)
Social security	(110)	(91)
Other pension costs	(78)	(67)
Vesting performance share plan options	(82)	(161)
	(1,225)	(1,190)

The number of Shell Group employees working on Foundation activities whose emoluments were above \$80,000 is as follows.

\$000	2018	2017
80 – 90	2	1
90 – 105	3	4
105 – 120	1	4
120 – 135	4	1
135 – 150	-	1

Notes to the financial statements for the year ended 31 December 2018 (continued)

\$000	2018	2017
150 – 165	6	4
165 – 180	1	1
180 – 195	1	-
225 – 240	-	2
255 – 270	1	-
270 – 285	-	-
285 – 300	1	-
300 – 315	-	-
360 – 375	-	-
375 – 390	-	1
390 – 405	1	-
	21	19

Shell Group companies made contributions during the year to the respective defined benefit or defined contribution pension schemes in relation to these 21 employees of \$0.3 million (2017: \$0.3 million in relation to 19 employees).

9. Taxation

The Foundation is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried out in furtherance of the Foundation's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

10. Endowment

	2018 \$000	2017 \$000
Market value at 1 January	506,608	442,660
Purchase of investments	103,606	122,941
Sales/withdrawals	(105,414)	(129,126)
Realised and Unrealised (losses)/gains	(40,793)	68,294
Movement of investment cash	(4,699)	1,839
Market value at 31 December	459,308	506,608
	2018 \$000	2017 \$000
The year end value is analysed as:		
Bonds – Overseas	45,153	74,240
Fixed income investments – UK	-	3,708
Fixed income investments – overseas	24,185	38,118
Equity investments – UK	20,122	25,352
Equity investments – overseas	264,523	307,871
Hedge funds – overseas	51,159	50,838
Real Estate	51,342	-
Forward foreign currency contracts	(13)	(1,243)
Other assets	1,066	1,254
Investment cash	1,771	6,470
Market value at 31 December	459,308	506,608

Notes to the financial statements for the year ended 31 December 2018 (continued)

The investment policy of the Trustees aims to maintain the real value of both distributions and the endowment asset value. To achieve this, the endowment is invested in a diversified asset allocation of global equities, hedge funds, fixed income funds and real estate.

The foreign currency exposure of the investment portfolio is hedged by the fund managers through the use of forward foreign exchange contracts. The mandate is to hedge 100% of non-US Dollar denominated bonds and 100% of non-US Dollar hedge fund investments. At the year-end 0% of bonds and 0% of hedge fund investments were non-US Dollar.

11. Social Investments

Programme Related Investments

Current	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
GroFin Africa Fund				
Start-up and growing businesses with investment needs from \$50,000 to \$1.5 million. Locations: Nigeria, Ghana, Rwanda, Tanzania, Uganda, Kenya, South Africa, Zambia. Investors: AFDB, EIB, Shell Foundation FMO, CDC, Norfund, FISEA, IFC, GroFin. Total fund size committed was \$160 million. The Fund has been extended to August 2019.				
Cost less impairment brought forward at 1 January	1,862	2,833	1,862	2,833
Movement from non-current to current	250	(606)	250	(606)
Sales	(390)	(365)	(390)	(365)
Redavia loan receivable				
Redavia provide turn-key re-deployable solar farms that reduce reliance on diesel generators and provide low-cost energy, with flexible rental agreements. 4% of the loan is repayable annually, with the loan is repayable in full by 2027. Loan 2: €0.7 million (\$0.8 million), and is repayable in full by 31 December 2024. Loan 3: \$0.2 million, repayable after equity funding is received by Redavia (expected repayment in 2019).				
Cost less impairment brought forward at 1 January	30	16	30	16
Movement from non-current to current	14	14	14	14
Purchases	159	-	159	-
Rent to Own				
Rent to Own provide asset finance for rural entrepreneurs. They are an innovator in renewable energy productive-use asset financing in rural, non-mobile money geographies. The loan was repaid in full in 2018.				
Cost less impairment brought forward at 1 January	100	-	100	-
Purchases	-	100	-	100
Sales	(100)	-	(100)	-
Lightning Hybrids Inc loan receivable				
Lightning Hybrids provide hydraulic hybrid regenerative braking drive systems for fleet vehicles. The loan agreement was updated in November 2016 and is repayable in full by 31 December 2020.				
Movement from non-current to current	750	-	750	-
SparkMeter loan receivable				
The SparkMeter micro grid metering system enables utilities to implement pre-payment as well as real-time monitoring and control on micro grids and central grids alike. The meters' low cost, makes their use for low-consumption and off-grid customers economical and the integrated nature of the technology makes it simple to install and operate. The loan is repayable in full by December 2022. Loan 1: \$0.4 million, repayable in full by December 2022. Loan 2: \$0.1 million, repayable in full by 1 December 2019. Loan 3: \$0.1 million, repayable in full by 1 December 2019.				
Purchases	185	-	185	-
Husk Power Systems Inc loan receivable				
Husk is a leading off-grid utility, providing affordable, reliable and renewable power to rural communities. Operating in India, Tanzania and Kenya it designs, builds, owns & operates grid compatible plants, providing A/C power, which is suitable for all appliances. The loan is now expected to be paid 2019-2021.				
Movement from non-current to current	434	-	434	-
Envirofit International Inc. loan receivable				
Envirofit is a social enterprise designing, producing, and selling efficient, durable and affordable cookstoves that create environmental, health, and social impacts for homes and institutions in developing nations. They are also starting pay-as-you-go LPG (SmartGas) model. The condition for loan repayment has been met.				
Purchases	250	-	250	-
Total Current Programme Related Investments	3,544	1,992	3,544	1,992

Notes to the financial statements for the year ended 31 December 2018 (continued)

Programme Related Investments

Non-Current	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
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Envirofit International Inc. Shareholding

Envirofit is a social enterprise designing, producing, and selling efficient, durable and affordable cookstoves that create environmental, health, and social impacts for homes and institutions in developing nations. They are also starting pay-as-you-go LPG (SmartGas) model. Shell Foundation holds 17.8% of the outstanding shares of Envirofit International Inc as at year end.

Cost less impairment brought forward at 1 January	4,532	4,532	4,532	4,532
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GroFin Africa Fund

Start-up and growing businesses with investment needs from \$50,000 to \$1.5 million. Locations: Nigeria, Ghana, Rwanda, Tanzania, Uganda, Kenya, South Africa, Zambia. Investors: AFDB, EIB, Shell Foundation FMO, CDC, Norfund, FISEA, IFC, GroFin. Total fund size committed was \$160 million. The fund has been extended to August 2019.

Cost less impairment brought forward at 1 January	1,769	3,055	1,769	3,055
Movement from non-current to current	(250)	606	(250)	606
Impairment	(626)	(1,892)	(626)	(1,892)

GroFin Small Growing Businesses Fund (SGB)

A unique integrated solution of patient risk capital (\$50,000 to \$1.5 million) and end-to-end business support to start-up and growing businesses. Locations: Nigeria, Ghana, Zambia, Egypt, South Africa, Kenya, Tanzania, Rwanda, Uganda. Investors: Shell Foundation, KfW Development Bank, GroFin, the Dutch Good Growth Fund (DGGF), Norfund, Scholl Foundation, Calvert. Total anticipated fund size \$150 million.

Cost less impairment brought forward at 1 January	15,000	9,250	15,000	9,250
Purchases	-	5,750	-	5,750

responsAbility Energy Access Fund

The fund is dedicated to providing debt financing to fast-growing companies which promote access to decentralised modern energy solutions, primarily in Africa and Asia. Investors: Shell Foundation, a founding partner, is also a co-investor along with anchor investor IFC and other private investors including Skopos Impact Fund and The Adolf H. Lundin Charitable Foundation. Total fund size \$34 million.

Cost less impairment brought forward at 1 January	2,000	2,000	2,000	2,000
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Lightning Hybrids Inc. loan receivable

Lightning Hybrids provide hydraulic hybrid regenerative braking drive systems for fleet vehicles such as buses and delivery trucks that generates better fuel economy, increased power, and reduced harmful emissions. The loan agreement was updated in November 2016 and is repayable in full by 31 December 2020.

Cost less impairment brought forward at 1 January	1,500	1,500	1,500	1,500
Movement from non-current to current	(750)	-	(750)	-

Redavia loan receivable

Cost less impairment brought forward at 1 January	1,194	368	1,194	368
Movement from non-current to current	(14)	(14)	(14)	(14)
Purchases	-	840	-	840
Sales	(55)	-	(55)	-

SparkMeter loan receivable

The SparkMeter micro grid metering system enables utilities to implement pre-payment as well as real-time monitoring and control on micro grids and central grids alike. The low-cost system consists of four hardware components, a cloud-based operator interface, and a mobile money or cash-based pre-payment system in order to unlock energy services for the off-grid population. The meters' low cost makes their use for low-consumption customers economical and the integrated nature of the technology makes it simple to install and operate. The loan is repayable in full by December 2022.

Loan 1: \$0.4 million, repayable in full by December 2022. Loan 2: \$0.1 million, repayable in full by 1 December 2019. Loan 3: \$0.1 million, repayable in full by 1 December 2019.

Cost less impairment brought forward at 1 January	375	375	375	375
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Factor[e] loan receivable

Factor[e] identify disruptive, high risk technologies to solve critical energy bottlenecks in India and Kenya. They provide risk capital & engineering support – to test, de-risk and attract investment to scale promising solutions, since entrepreneurs working on new technologies often cannot find the technical and investor support they need. Loan 1: \$2.5 million repayable in full by June 2026. Loan 2: \$2.5 million repayable in full by January 2027. Loan 3: \$1.5 million repayable in full by January 2028. Loan 4: \$0.2 million repayable in full by January 2029.

Cost less impairment brought forward at 1 January	5,000	2,500	5,000	2,500
Purchases	1,744	2,500	1,744	2,500

Notes to the financial statements for the year ended 31 December 2018 (continued)

Programme Related Investments

Non-Current (continued)	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Gajam Group Limited (Dharma Life) loan receivable				
Operating in India, Dharma Life builds and trains a network of rural entrepreneurs, makes social-impact products accessible in rural markets and conducts innovative campaigns to create market demand. The loan is repayable in full by December 2022.				
Cost less impairment forward at 1 January	1,052	989	1,052	989
Purchases	-	63	-	63
Sales	(89)	-	(89)	-
Husk Power Systems Inc. loan receivable				
Husk is a leading off-grid utility, providing affordable, reliable and renewable power to rural communities. Operating in India, Tanzania and Kenya it designs, builds, owns and operates grid compatible plants, providing alternating current power, which is suitable for all appliances. The loan is now expected to be paid 2019-2021.				
Cost less impairment brought forward at 1 January	1,300	1,300	1,300	1,300
Movement from non-current to current	(434)	-	(434)	-
Persistent Energy Capital loan receivable				
Operating in underserved African countries, Persistent Energy Capital identifies high potential, early-stage PAYG energy businesses, invests and scales them with critical knowledge, experience and networks in business, governance and financing. This is in order to address access to energy in smaller, or unproven African markets that existing market leaders have no plans to be in. Loan 1: \$0.5 million repayable in full by December 2026. Loan 2: \$2.5 million repayable in full by March 2027. Loan 3: \$0.5 million repayable in full by December 2027.				
Cost less impairment brought forward at 1 January	750	500	750	500
Purchases	500	250	500	250
Buen Manejo del Campo S.A. (Sistema Biobolsa) loan receivable				
Sistema combine manufacturing, sales and service of high quality bio-digester systems with consumer financing to enable affordable biogas solutions for productive use. They create innovative distribution partnerships across Africa and India to reach low-income smallholder farmers reducing their fuel/fertiliser cost, enabling clean cooking/ heating and improving access to electricity. The loan is repayable in full by March 2027.				
Cost less impairment brought forward at 1 January	500	500	500	500
Purchases	425	-	425	-
Greenlight Planet loan receivable				
GLP designs and manufactures affordable solar energy products, including consumer finance component (PAYG). Creates innovative distribution partnerships and direct sales network to reach low-income consumers and businesses. The loan is repayable in full by March 2022.				
Purchases	500	-	500	-
Nomou Iraq Fund				
The principal activities of the Company are to invest in small growing businesses (SGB) within Iraq to further employment in the country. The Company was established under a Cooperation Agreement with USAID. GroFin has been chosen as the key strategic partner to further the aims of the Company and manage the distribution of funds to carefully selected SGBs in Iraq. Shell Foundation has had successful relationship with GroFin in a number of ventures for many years.				
Cost less impairment brought forward at 1 January	2,420	2,444	-	-
Impairment	(173)	(24)	-	-
Total Non-Current Programme Related Investments	38,170	37,392	35,923	34,972

Notes to the financial statements for the year ended 31 December 2018 (continued)

Programme Related Investments

	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Mixed Motive Investments - Non-Current				
Aavishkaar Ventures Management Services – interest bearing convertible debt agreement				
AVMS provides financial products and services in India and Kenya that are focused on people who are in low-income communities. Their six areas of special focus have a direct and immediate impact on the lives and livelihoods of low-income consumers. These sectors are: Clean Energy, Agriculture and Rural Business, Financial Services, Water and Sanitation, Healthcare, Education and Vocational Training. Interest bearing convertible debt agreement; convertible into ordinary equity shares on or before 9th anniversary of funding (October 2025).				
Cost less impairment brought forward at 1 January	10,000	10,000	10,000	10,000
Total Non-Current Investments	48,170	47,392	45,923	44,972
Total Current Investments	3,544	1,992	3,544	1,992
Cost carried forward as at 31 December 2018	51,714	49,384	49,467	46,964

12. Subsidiary and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Country of Incorporation	Nature of business	Interest		
SF Investment Management Limited	United Kingdom	Investment management	100% ordinary shares		
		Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
SF Investment Management Limited shareholding					
Commitment to invest with GroFin Nomou Iraq Fund: A unique integrated solution of patient risk capital (\$0.1 million-\$2 million) and end-to-end business support to start-up and growing businesses in Basra, Iraq. Investors: Shell Foundation and USAID. Total fund capital committed \$8.7 million.					
Cost less impairment brought forward at 1 January		-	-	2,702	2,715
Impairment		-	-	(179)	(13)
Cost carried forward as at 31 December 2018		-	-	2,523	2,702

Notes to the financial statements for the year ended 31 December 2018 (continued)

13. Debtors

Note	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Amounts falling due within one year are:				
<i>Restricted donation – Non Government related</i>				
Rockefeller Foundation	250	-	250	-
Shell International Ltd	1,000	-	1,000	-
<i>Restricted donation government related</i>				
Department for International Development	2,646	6,259	2,646	6,259
United States Agency for International Development	3,204	4,509	3,204	4,509
<i>Unrestricted Convertible Debt</i>				
Aavishkaar Ventures Management Services	86	498	86	498
Prepayments	10	-	10	-
Amounts falling due after more than one year are:				
<i>Restricted donations government related</i>				
Department for International Development	249	254	249	254
United States Agency for International Development	250	400	250	400
<i>Unrestricted debtor</i>				
The Shell Centenary Scholarship Fund	481	493	481	493
Total debtors	8,176	12,413	8,176	12,413

14. Cash at bank and on hand

	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Cash at Bank	13,456	14,385	13,169	14,094
Total cash at bank and on hand	13,456	14,385	13,169	14,094

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

15. Creditors: amounts falling due within one year

	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Grants Payable	12,745	20,425	12,745	20,425
Trade Creditors – Shell International Limited	4,945	6,169	4,945	6,169
Accruals	11	10	-	1
	17,701	26,604	17,690	26,595

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 accruals are booked as payable to Shell International Limited.

Notes to the financial statements for the year ended 31 December 2018 (continued)

16. Creditors: amounts falling due after more than one year

	Group 2018 \$000	Group 2017 \$000	Foundation 2018 \$000	Foundation 2017 \$000
Total grants payable	13,744	21,747	13,744	21,747
Less amounts falling due within one year (note 15)	(12,745)	(20,425)	(12,745)	(20,425)
Grants payable falling due after more than one year	999	1,322	999	1,322
Accrual for employee benefit	148	152	148	152
Payable to USAID for Nomou Iraq project	2,491	2,681	2,523	2,702
Total payables falling due after more than one year	3,638	4,155	3,670	4,176
Represented by:				
Grants payable in greater than one year but less than two years	999	1,272	999	1,272
Grants payable in greater than two years but less than three years	-	50	-	50
Accrual for employee benefit	148	152	148	152
USAID payable in greater than five years	2,491	2,681	2,523	2,702
	3,638	4,155	3,670	4,176

17. Funds

Group	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Transfers \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	506,608	9,883	(298)	(16,302)	(40,583)	459,308
Unrestricted Funds	40,074	6,995	(20,899)	16,302	-	42,472
Restricted Funds	5,349	12,259	(8,073)	-	-	9,535
	552,031	29,137	(29,270)	-	(40,583)	511,315
Foundation	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Transfers \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	506,608	9,883	(298)	(16,302)	(40,583)	459,308
Unrestricted Funds	40,074	6,995	(20,899)	16,302	-	42,472
Restricted Funds	5,328	12,254	(8,079)	-	-	9,503
	552,010	29,132	(29,276)	-	(40,583)	511,283

Transfers were made between the expendable endowment and unrestricted funds during the year to fund the Foundation's annual activities.

Notes to the financial statements for the year ended 31 December 2018 (continued)

18. Analysis of net assets between funds

Group	Note	Unrestricted Funds 2018 \$000	Restricted Funds 2018 \$000	Endowment Funds 2018 \$000	Total 2018 \$000	Total 2017 \$000
Fixed Assets						
Endowment investment (at fair value)	10	-	-	459,308	459,308	506,608
Investments (at costs less impairment)	11	38,554	9,616	-	48,170	47,392
		38,554	9,616	459,308	507,478	554,000
Current Assets						
Debtors:						
amounts falling due within one year	13	96	7,100	-	7,196	11,266
amounts falling due after one year	13	481	499	-	980	1,147
		577	7,599	-	8,176	12,413
Cash at bank and on hand	14	10,278	3,178	-	13,456	14,385
Investments (at cost less impairment)	11	3,110	434	-	3,544	1,992
Creditors: amounts falling due within one year	15	(9,399)	(8,302)	-	(17,701)	(26,604)
Net Current Assets		4,566	2,909	-	7,475	2,186
Total Assets less Current Liabilities		43,120	12,525	459,308	514,953	556,186
Creditors: amounts falling due after more than one year	16	(648)	(2,990)	-	(3,638)	(4,155)
Net Assets		42,472	9,535	459,308	511,315	552,031

Notes to the financial statements for the year ended 31 December 2018 (continued)

18. Analysis of net assets between funds cont.

Foundation	Note	Unrestricted Funds 2018 \$000	Restricted Funds 2018 \$000	Endowment Funds 2018 \$000	Total 2018 \$000	Total 2017 \$000
Fixed Assets						
Endowment investment (at fair value)	10	-	-	459,308	459,308	506,608
Investments (at cost less impairment)	11	38,554	7,369	-	45,923	44,972
Subsidiary undertakings	12	-	2,523	-	2,523	2,702
		38,554	9,892	459,308	507,754	554,282
Current Assets						
Debtors						
amounts falling due within one year	13	96	7,100	-	7,196	11,266
amounts falling due after one year	13	481	499	-	980	1,147
		577	7,599	-	8,176	12,413
Cash at bank and on hand	14	10,340	2,829	-	13,169	14,094
Investments (at cost less impairment)	11	3,110	434	-	3,544	1,992
Creditors: amounts falling due within one year	15	(9,461)	(8,229)	-	(17,690)	(26,595)
Net Current Assets		4,566	2,633	-	7,199	1,904
Total Assets less Current Liabilities		43,120	12,525	459,308	514,953	556,186
Creditors: amounts falling due after more than one year	16	(648)	(3,022)	-	(3,670)	(4,176)
Net Assets		42,472	9,503	459,308	511,283	552,010

19. Reconciliation of movement in funds to net cash used in operating activities

	2018 Group \$000	2018 Foundation \$000	2017 Group \$000	2017 Foundation \$000
Net movement in unrestricted and restricted funds	6,584	6,573	950	947
Add back transfer from endowment fund	(16,302)	(16,302)	(13,643)	(13,643)
Add back investment income	(333)	(328)	(510)	(507)
Add back impairments	799	803	1,926	1,892
Net unrealised exchange (gain)/loss on unrestricted funds	27	27	(498)	(498)
Decrease in net debtors – unrestricted & restricted funds	4,237	4,237	43	43
Decrease in net creditors – unrestricted & restricted funds	(9,420)	(9,410)	1,793	1,813
Net cash used in operating activities	(14,408)	(14,400)	(9,939)	(9,953)

Notes to the financial statements for the year ended 31 December 2018 (continued)

20. Financial Instruments

The Group and Foundation have the following financial instruments:

Group	Note	2018 \$000	2017 \$000
Financial assets at fair value through the SOFA			
- Endowment	10	459,308	506,608
		459,308	506,608
Financial assets that are debt instrument measured at amortised cost			
- Debtors	13	8,176	12,413
		8,176	12,413
Financial assets that are debt instrument measured at cost less impairment			
- Programme related investment – Rent to Own Loan	11	-	100
- Programme related investment – Lightning Hybrids Loan	11	1,500	1,500
- Programme related investment – Redavia Loan	11	1,328	1,224
- Programme related investment – SparkMeter Loan	11	560	375
- Programme related investment – Factor[e] Loan	11	6,744	5,000
- Programme related investment – Gajam Group Ltd (Dharma Life) Loan	11	963	1,052
- Programme related investment – Husk Power Systems Inc. Loan	11	1,300	1,300
- Programme related investment – Persistent Energy Capital Loan	11	1,250	750
- Programme related investment – Buen Manejo del Campo S.A. (Sistema Biobolsa) Loan	11	925	500
- Programme related investment – Green Planet Loan	11	500	-
- Programme related investment – Envirofit Loan	11	250	-
- Mixed motive investment – Aavishkaar Ventures Management Services convertible debt agreement	11	10,000	10,000
		25,320	21,801
Financial assets that are equity instrument measured at cost less impairment			
- Programme related investment – GroFin Africa Fund	11	2,615	3,631
- Programme related investment – GroFin SGB Fund	11	15,000	15,000
- Programme related investment – Envirofit	11	4,532	4,532
- Programme Related Investment – responsAbility Energy Access Fund	11	2,000	2,000
- Programme related investment – Nomou Iraq Fund	11	2,247	2,420
		26,394	27,583
Financial liabilities at fair value through the SOFA		-	-
Financial liabilities measured at amortised costs			
- Creditors and accruals	15,16	(21,339)	(30,759)
		(21,339)	(30,759)
Other financial liabilities measured at fair value			
- Contingent liabilities	25	(3,500)	(3,500)
		(3,500)	(3,500)

Notes to the financial statements for the year ended 31 December 2018 (continued)

The Group and the Foundation have the following financial instruments:

Foundation	Note	2018 \$000	2017 \$000
Financial assets at fair value through the SOFA			
- Endowment	10	459,308	506,608
		459,308	506,608
Financial assets that are debt instrument measured at amortised cost			
- Debtors	13	8,176	12,413
		8,176	12,413
Financial assets that are debt instrument measured at cost less impairment			
- Programme related investment – Rent to Own Loan	11	-	100
- Programme related investment – Lightning Hybrids Loan	11	1,500	1,500
- Programme related investment – Redavia Loan	11	1,328	1,224
- Programme related investment – SparkMeter Loan	11	560	375
- Programme related investment – Factor[e] Loan	11	6,744	5,000
- Programme related investment – Gajam Group Ltd (Dharma Life) Loan	11	963	1,052
- Programme related investment – Husk Power Systems Inc. Loan	11	1,300	1,300
- Programme related investment – Persistent Energy Capital Loan	11	1,250	750
- Programme related investment – Buen Manejo del Campo S.A. (Sistema Biobolsa) Loan	11	925	500
- Programme related investment – Green Planet Loan	11	500	-
- Programme related investment – Envirofit Loan	11	250	-
- Mixed motive investment – Aavishkaar Ventures Management Services convertible debt agreement	11	10,000	10,000
		25,320	21,801
Financial assets that are equity instrument measured at cost less impairment			
- Programme related investment – GroFin Africa Fund	11	2,615	3,631
- Programme related investment – GroFin SGB Fund	11	15,000	15,000
- Programme related investment – Envirofit	11	4,532	4,532
- Programme Related Investment – responsAbility Energy Access Fund	11	2,000	2,000
- Programme related investment – Nomou Iraq Fund	11	-	-
		24,147	25,163
Financial liabilities at fair value through the SOFA		-	-
		-	-
Financial liabilities measured at amortised costs			
- Creditors and accruals	15,16	(21,360)	(30,771)
		(21,360)	(30,771)
Other financial liabilities measured at fair value			
- Contingent liabilities	25	(3,500)	(3,500)
		(3,500)	(3,500)

Notes to the financial statements for the year ended 31 December 2018 (continued)

21. Derivative financial instruments

The Foundation holds an endowment which uses derivative financial instruments to hedge exposures. Although the derivative financial instruments entered into for hedging purposes are linked to the underlying transactions of the endowment, they do not meet the criteria for hedge accounting as the hedging relationships do not consist of hedging instruments and hedged items that meet certain criteria, and thus do not qualify for hedge accounting. They have been classified as non-hedging instruments in the below table.

	Contractual Notional Amount \$000	Fair value	
		Asset \$000	Liability \$000
2018			
Non-hedging instruments			
- Foreign exchange contracts	34,595	19,234	(32,437)
Total		19,234	(32,437)
Less: current portion		(19,234)	32,437
Non-current portion		-	-
2017			
Non-hedging instruments			
- Foreign exchange contracts	41,085	-	(1,243)
Total		-	(1,243)
Less: current portion		-	1,243
Non-current portion		-	-

22. Capital commitment

The Foundation had no capital commitments as at 31 December 2018 (2017: Nil).

Notes to the financial statements for the year ended 31 December 2018 (continued)

23. Capital

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

24. 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. The Foundation's investment manager is Shell Asset Management Company (SAMCo), which is also a subsidiary of Royal Dutch Shell plc. During the year the Foundation made payments of \$209,357 (2017: \$259,487), related tax accrued \$41,871 (2017: \$52,297), and generated accrued investment management costs of \$57,986 (2017: \$70,431), related tax accrued \$11,597 (2017: \$14,086), on normal business terms with SAMCo.

During the year the Foundation made payments of \$10.0 million (2017: \$7.2 million) and generated accrued costs of \$4.3 million (2017: \$4.6 million) on normal business terms with Shell International Limited.

Of the Foundation's current or former trustees listed on page 4, the following are or were directors or officers of certain Shell Group companies: Ms Sinead Lynch, Mr Maarten Wetselaar, Mr Andrew Brown and Mr Malcolm Brinded. 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.

Donations received included the following as disclosed in Note 2:

Entity Name	2018 \$000	2017 \$000
Shell Energy Europe Limited	6,000	6,000
Shell International Limited	1,000	-
BG Auction Donation	4	30

As part of Shell Foundation's approach as an engaged donor, Shell Foundation staff members often participate in the governance of strategic partners to maintain strength and skills of the Board. None of the Shell Foundation employees who serve on the Boards of these partners receive any remuneration for these duties.

Position of influence of key management personnel, Sam Parker – Shell Foundation Director, Richard Gomes – Market Development Director, Pradeep Pursnani – Deputy Director (to November), during 2018 were:

Shell Foundation Key Management Personnel	Organisation's Name	Position	Grant 2018 \$000	Grant 2017 \$000	Outstanding Liability 2018 \$000	Outstanding Liability 2017 \$000	Notes
Sam Parker	WRI Ross Center for Sustainable Cities	Member of the Advisory Board	1,200	1,550	504	-	Grants provided to World Resources Institute and Centro de Transporte Sustentable.
Sam Parker	Stichting Smart Freight Centre	Board Member	1,234	1,096	114	120	
Pradeep Pursnani	Gajam Group Limited	Member of the Advisory Board	1,238	808	123	20	
Pradeep Pursnani	Husk Power Systems Pvt	Board Member	-	-	-	200	
Pradeep Pursnani	Factor[e] Ventures PBC	Board Member	809	1,800	597	1,100	

Notes to the financial statements for the year ended 31 December 2018 (continued)

Shell Foundation Key Management Personnel	Organisation's Name	Position	Grant 2018 \$000	Grant 2017 \$000	Outstanding Liability 2018 \$000	Outstanding Liability 2017 \$000	Notes
Pradeep Pursnani	Envirofit International Inc	Board Member	-	700	20	345	
Sam Parker	GroFin Africa Fund, GroFin SGB Fund and GroFin Nomou (MENA), Aspire Growth Fund, Aspire Small Business Fund	Member of the Advisory Committees	-	265	78	227	GroFin Managers is a SF Grantee that belongs to the GroFin Group of Companies.
Richard Gomes	Global Off Grid Lighting Association (GOGLA)	Board Observer and Chair of Advisory Board	500	1,025	500	731	
Pradeep Pursnani	Logistimo	Board Member	-	-	-	204	
Richard Gomes	SafeBoda	Observer	800	-	100	-	
Richard Gomes	Future Fit	Observer	644	-	636	68	
Pradeep Pursnani	Envirofit International Inc	Board Member	Investment of 17.8% of the outstanding shares of Envirofit International Inc as at year end. (2017: Investment of 17.8% of outstanding shares of Envirofit International Inc. at the year-end)				
Sam Parker	GroFin SGB Fund	Member of the Advisory Committees	Investment of \$15 million in GroFin SGB Fund at the 2018 year end (2017: \$15 million)				
Sam Parker	GroFin Africa Fund	Member of the Advisory Committees	Investment in GroFin Africa Fund of \$2.6 million at the 2018 year end (2017: \$3.6 million)				
Pradeep Pursnani	Aavishkaar Venture Management Services Private Limited, part of The Aavishkaar-Intellectap Group	Board Member and Investment Committee Member	Convertible Debt Agreement of \$10 million with AVMS at the 2018 year end (2017: \$10 million)				
Pradeep Pursnani	Envirofit International Inc	Board Member	In October 2012, Shell Foundation offered a seven year financial guarantee of \$1.5 million to Calvert Social Investment Foundation Inc. to cover a \$3 million loan facility to Envirofit International Inc. As of December 2015, Envirofit International Inc had drawn down \$3 million of this loan.				
Pradeep Pursnani	Husk Power Systems	Board Member	Loan Receivable \$1.3 million made in 2016 (2017: \$1.3million)				
Pradeep Pursnani	Factor[e] Ventures PBC	Board Member	Loan Receivable \$6.7 million (2017: \$5.0 million)				
Pradeep Pursnani	Gajam Group Limited	Member of the Advisory Board	Loan Receivable \$1.0 million made in 2016 (2017: \$1 million)				
Pradeep Pursnani	Envirofit International Inc	Board Member	Loan Receivable \$0.3 million made in 2014 (2017: nil)				

Notes to the financial statements for the year ended 31 December 2018 (continued)

25. Guarantees and 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.

In October 2012, Shell Foundation offered a seven year financial guarantee of \$1.5 million to Calvert Social Investment Foundation Inc. to cover a \$3 million loan facility to Envirofit International Inc. As of December 2015, Envirofit International Inc had drawn down the full amount. In Q3 2016, Shell Foundation committed to a six year financial guarantee of \$2 million to Calvert Social Investment Foundation Inc. The guarantee is capped at \$2 million in aggregate and is in two parts – firstly a \$2 million guarantee to Calvert for pre-funding of the BIX carbon fund via Cardecho, and secondly \$2 million to Cardecho guaranteeing carbon credit instalments from Envirofit, which in part will be used to repay the Calvert pre-finance loan.

26. Post balance date events

The Foundation has not engaged in post balance sheet transactions outside of normal business transactions.

