



**SHELL
FOUNDATION**

Shell Foundation

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

Trustees' report and consolidated financial statements for the year ended 31 December 2008

Company Registered Number: 4007273
Charity Registered Number: 1080999

Shell Foundation

Trustees' report and consolidated financial statements for the year ended 31 December 2008

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

www.shellfoundation.org

Shell Foundation

Trustees, directors, officers and advisors

Trustees (who are also directors)

Mr Jeroen van der Veer	Chairman
Mr Malcolm Brinded, C.B.E.	
Ms Roxanne Decyk	
Sir John Houghton	Nominated trustee
Dr William Kalema	Nominated trustee
Dr Pieter Winsemius	Nominated trustee

Principal Officers

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

Registered Office

Shell Centre
York Road
London SE1 7NA

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors

Allen & Overy
One Bishops Square
London E1 6AD

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Investment custodian

JP Morgan Chase Bank
60 Victoria Embankment
Lond EC4Y 0JP

Shell Foundation

Report of the Trustees for the year ended 31 December 2008

The trustees, who are also directors of the company for the purpose of the Companies Act, present their annual report and the audited financial statements for the year ended 31 December 2008.

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

Status and Administration

Shell Foundation ("the Foundation") is a charitable company limited by guarantee, incorporated on 31 May 2000 (company registration number 4007273) and registered with the Charity Commissioners as a charity on 2 June 2000 (charity registration number 1080999). The Foundation has dual charity registration in The Netherlands as of 14 February 2008. The consolidated financial statements include the activities of the Foundation's 100% subsidiary, the South African Energy Facility (SAEF), registration number 2004/000308/08. This subsidiary was incorporated in South Africa as a Section 21 "not for profit" company on 12 January 2004, with charitable objects similar to those of the Foundation, and was liquidated on 14 March 2008.

Structure, Governance and Management

Governance and Internal Controls

The trustees are appointed by the sole member of the Foundation (The Shell Petroleum Company Limited), in consultation with the existing trustees.

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

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

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

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.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2008

Statement of Trustees' Responsibilities

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

The trustees are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the charitable company, and enable the trustees to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities.

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

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

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

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

Risk Management

The trustees have identified the major risks to which the Foundation might be exposed. Exposure is analysed by plotting on a matrix the likelihood of occurrence (vulnerability) of major risks against the potential consequences of occurrence (impact). The trustees regularly review this matrix, most recently in their November 2008 board meeting, and ensure that appropriate controls are in place to mitigate those risks.

Of the 10 key risk areas identified, none are currently regarded as posing an unacceptable residual exposure. Two key areas of risk where active management is ongoing relate to the reliance on strategic partners to take the Foundation's programmes forward and build commercial businesses, and the need for sufficient, suitably skilled staff to support these partners and identify and develop new projects. These risks are being managed through the careful selection process undertaken for new strategic partners, and through staff recruitment and training and the development of a staff competency framework, which will underpin both of these processes. Another key area of risk is investment performance. Given the current unfavourable economic conditions, and the effect that these have had on the Foundation's endowment funds, this risk is being managed through an investment strategy review, to be undertaken in 2009.

Report of the Trustees (continued) for the year ended 31 December 2008

Relationship with the Shell Group

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

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

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

Grant Commitments

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

As part of its risk control framework, the Foundation conducts due diligence assessments of these prospective grantees (grant recipients) prior to awarding grants to confirm that, at the time of commitment, there is an expectation that the project is likely to be successful and, therefore, that the grant commitment will be paid in full.

Certain milestones must be met by the grantee to receive scheduled grant payments. The expectation upon signing the Letter of Understanding (LOU) is that the grantee will be able to achieve the milestones. Progress against milestones is monitored, based on reports from the grantee, and where a grantee does not meet a milestone the payment of that instalment of the grant may be deferred until such time as the milestone has been met.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2008

Objectives, Activities and Achievements

Objectives

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

1. The protection and preservation of the environment and public health by means of education and research into the provision and use of energy in ways that reduce or eliminate harmful emissions. *The Foundation has pursued this objective through grants made through its Breathing Space, EMBARQ, and Excelerate programmes.*
2. The advancement of education of young persons and adults. *This objective has not been the subject of a specific programme focus in 2008.*
3. The establishment in life of young persons aged not more than 30 years. *This objective was not the focus of a specific programme in 2008.*
4. The relief of poverty, suffering, hardship and distress. *This objective has been furthered through grants made through all the Foundation's programmes.*

The Foundation's Articles permit it to make grants to further these objectives anywhere in the world, and its policy is to act as a truly international grant-making Foundation. It is not the Foundation's practice to support:

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

Activities and Achievements

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

Report of the Trustees (continued) for the year ended 31 December 2008



In developing countries Small and Medium-sized Enterprises (SMEs) struggle to obtain finance from banks because of a lack of skills, track record and collateral and a risk adverse culture. Yet the SME sector is absolutely vital to the economic development of poor countries.

Aspire helps these “under-served” SMEs in Africa to fulfil their potential and in turn create much needed jobs and economic growth. Aspire assists start-up and early stage growth SMEs through the integrated provision of business development assistance and appropriate finance. Aspire is a strategic partnership between the Foundation and GroFin – an African specialist business developer and financier. The objective of Aspire is to be a self-financing driver of pro-poor economic growth. The results of the 100% subsidiary SAEF (up to its liquidation in March 2008) are included within Aspire.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To monitor performance of all existing regional SME funds in Africa and commence new operations in Ghana.	Participated in the performance monitoring of all existing regional SME funds (in South Africa, East Africa and West Africa, including Ghana).	All regional SME funds achieving (or exceeding) performance targets – resulting in the creation of almost 3,000 jobs and 18,000 sustainable livelihoods.	To monitor performance of all existing regional SME funds in Africa.
To secure commitments of at least \$70 million in the new Pan-African SME fund.	Participated in discussions with interested investors (development finance institutions).	Secured US\$125m in August 2008 to the new GroFin Africa Fund with commitments by SF and other leading development finance institutions (CDC, IFC, FMO and African Development Bank).	Secure an additional US\$25m and participate in performance monitoring of new fund.
To support a pilot capacity building programme to develop skills within this new “Growth Finance” sector in Africa.	Organised separate training events in Kenya, South Africa and Ghana, attended by over 70 people.	Participants testified to value of training, with some changing their way of working based on advice received.	Provide further targeted support for Capacity Development of the Growth Finance sector.
To complete the successful liquidation of SAEF during 2008.	Liquidators appointed and all actions taken to ensure voluntary liquidation.	Voluntary liquidation achieved in March 2008.	

Resources expended:	2008	2007
	\$000	\$000
Grants	-	6,000
Direct costs	485	303
Support costs	73	692
Total	558	6,995

Report of the Trustees (continued) for the year ended 31 December 2008



SMOKE-FREE HOMES.
HEALTHY FAMILIES.



In developing countries, Indoor Air Pollution (IAP) – from smoke generated by indoor cooking on open fires and traditional stoves – kills nearly 4,800 women and young children every day. This makes IAP the most lethal killer of the most vulnerable after malnutrition, unsafe sex and lack of safe water and sanitation, according to the World Health Organisation.

Breathing Space aims to achieve a verifiable and significant long-term reduction in the incidence of IAP among poorer households through commercial mechanisms that will ensure affordable and genuinely “clean” stoves are made available to poor people on a large scale.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To assist Envirofit in developing a business plan for the scale-up of their operations.	SF provided varied business advice to Envirofit during the business planning process.	SF provided business advice that assisted in the development of a five-year business plan.	To maintain support to Envirofit, including new product development and fund-raising efforts.
To support Envirofit to establish operations in southern India.	Envirofit established operations in Tamil Nadu and Karnataka and commenced sales and distribution of stoves.	By the end of 2008 Envirofit has sold over 20,000 improved stoves in these two states.	To support ongoing sales and distribution in India, as well as phased expansion to other states.
To establish robust monitoring and evaluation (M&E) activities to verify the health impacts of cookstoves.	Berkeley Air appointed to conduct independent M&E and undertook testing in India.	Independent monitoring by Berkeley Air has verified both reduced IAP levels and improved fuel savings over traditional stoves.	To continue independent M&E efforts to validate IAP reductions.
To develop and implement a global awareness raising strategy for IAP.	A pilot public awareness campaign on IAP commenced in selected districts in Karnataka.	Positive reaction by villagers to the different messages promoted by the pilot public awareness campaign.	To monitor the effectiveness of the pilot trial and roll-out best practice in southern India.

Resources expended:

	2008 \$000	2007 \$000
Grants	5,348	2,775
Direct costs	1,383	2,614
Support costs	1,015	594
Total	7,746	5,983

Report of the Trustees (continued) for the year ended 31 December 2008



CITIES ON
THE MOVE



Almost 40% of the world's population lives in megacities – with more than 10 million residents – and nearly 300 cities in the developing world have populations of more than one million people. Without sustainable solutions to urban mobility, many of these cities will be brought to a standstill by congestion, while the smog produced will contribute massively to local and global environmental and health problems.

EMBARQ is a centre of excellence established and managed by the World Resources Institute with the support of the Foundation, that aims to work in partnership with developing country cities to catalyse the design and introduction of environmentally and financially sustainable transport innovations. EMBARQ is already operating in Mexico City and three other Mexican cities, as well as Istanbul, Shanghai and Porto Alegre. In Mexico City, EMBARQ was directly responsible for the introduction of *MetroBus* – a bus rapid transit system carrying over 315,000 passengers every day more quickly, cheaply and safely than previously, while reducing emissions of carbon dioxide and other greenhouse gases.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To support the scale-up of EMBARQ to enable it to grow rapidly and offer real solutions to urban transport problems.	EMBARQ undertook significant activity in Latin America (Mexico, Brazil and Peru) as well as in Istanbul. Long-term grant support has been essential to enable EMBARQ to become a trusted party in cities.	In addition to reducing air pollution and traffic congestion, activities supported by EMBARQ have resulted in annual reductions of 95,000 tonnes CO2 in Mexico City and Istanbul.	Assist with a business planning exercise to ensure that EMBARQ fulfils its objective of long-term financial sustainability.
To secure at least one Global Strategic Partner as a financial supporter of EMBARQ.	Efforts were made to assist EMBARQ secure co-funding in individual cities as well as a new Global Strategic Partner.	While EMBARQ secured considerable co-funding in individual cities, a new Global Strategic partner was not secured.	Accelerate efforts to secure a new Global Strategic Partner and raise required core funding.
To support EMBARQ's entry into India via one of the country's leading cities, and then expand to other cities.	The Indian government involved EMBARQ in various capacity building activities and an office was opened in Mumbai.	Eleven cities in India are planning on building new BRT systems and collaboration is being explored with Pune and Indore.	Establish EMBARQ as a recognised "solutions-provider" to urban transport problems in India.

Resources expended:

	2008	2007
	S000	S000
Grants	1,500	2,310
Direct costs	73	110
Support costs	237	267
Total	1,810	2,687

Report of the Trustees (continued) for the year ended 31 December 2008



DEVELOPING SKILLS.
BOOSTING PROSPERITY.



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

Excelerate aims to provide business skills and flexible finance to micro-entrepreneurs involved in the provision of infrastructure services (for example, energy, water, sanitation, transport) to the very poor living on \$1 a day or less. **Energise** is a closely related programme that aims to increase access by the poor to modern energy services in ways that are financially viable.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To support an independent due diligence of the Small-scale Sustainable Infrastructure Development Fund (S3IDF) to assist with the sustainable growth of this venture.	Due diligence visit to India conducted in March 2008 and results shared in full with S3IDF.	Due diligence highlighted a number of areas that required attention if the long-term vision of achieving financial viability was to be achieved. Following discussion with S3IDF, it was agreed by mutual consent to terminate the grant agreement.	Consider opportunities to support micro-entrepreneurs in India with the provision of pro-poor energy services in ways that are financially viable and scaleable.
To continue to monitor and explore new models for pro-poor energy service provision in ways that are financially viable.	Feasibility study conducted into whether there were opportunities to support the emerging biofuels sector in Africa and India.	Feasibility study completed on schedule and concluded that there were significant opportunities in India to promote bio-energy solutions to the benefit of poor rural communities.	Identify and support a small number of entrepreneur led pro-poor bio-energy opportunities in India.

Resources expended:	2008	2007
	\$000	\$000
Grants *	(912)	2,527
Direct costs	70	66
Support costs	69	286
Total	(773)	2,879

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

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Report of the Trustees (continued) for the year ended 31 December 2008

Incubator

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

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To actively manage and support new and existing innovative projects with different partners, in an effort to identify new ways to tackle energy-poverty and energy-environment issues.	A number of new initiatives were supported, of which the most sizeable were support to the African Investment Climate Facility (ICF), a new energy company operating in Africa (Aldwych International) and a start-up African entity providing skills support to the Growth Finance sector (Optima Training).	<p>The African ICF succeeded in raising over US\$100m from various donors and corporates. It supported a number of projects to enhance the enabling environment (including the power sector in Rwanda).</p> <p>An independent review by UNESCO of the “Skills Sharing pilot project” concluded this had led to measurable changes with long lasting effects at several World Heritage sites.</p> <p>The majority of other incubator projects achieved their intended goals. The two that did not were terminated by mutual agreement.</p>	To maintain a limited portfolio of incubator projects that either add incremental value to existing larger initiatives or which represent solution-orientated approaches to issues consistent with the Shell Foundation mission.

Resources expended:	2008 \$000	2007 \$000
Grants	883	869
Direct costs	253	29
Support costs	171	99
Total	1,307	997

Report of the Trustees (continued) for the year ended 31 December 2008



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

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

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To capture learnings from the partnership with M&S and build relations with other retailers.	Groundbreaking partnership with M&S completed on schedule and joint review conducted of this partnership.	Joint M&S and SF report published entitled "Fresh – Creating new pathways to ethical sourcing".	To continue to promote the "ethical agent" concept to major retailers and seek their support to the growth of TBTC.
To provide further business and financial support to The Better Trading Company (TBTC) to help them scale-up in Africa.	Continued business support provided to TBTC with regards to establishing a new management structure, marketing strategy and ethical standards.	TBTC continued strong sales of cut flowers, and introduced new product lines all with verifiable social benefits to poor producers in Africa.	To continue to provide support to TBTC and develop their product range and track record as the pioneering "ethical agent".
To expand the impact of the sustainable cotton work undertaken by Agrocel, through creation of tools and training provision, and new retailer partnerships.	We conducted a feasibility study to assess opportunities to scale-up sustainable cotton production in India.	We led the creation of a partnership between Organic Exchange and C&A to improve the lives of poor Indian farmers.	To establish an institution in India as the intermediary to enable the scale-up of sustainable cotton production.
To pilot new approaches towards helping producers of crafts secure market access.	We identified an opportunity to support an African enterprise (L'Afrique Authentique) with the sale of unique hand-made products.	The project is progressing well and the first new products were brought to market in late 2008.	Following a market review, we decided not to seek new craft opportunities in 2009.

Resources expended:	2008	2007
	\$000	\$000
Grants	2,596	1,567
Direct costs	778	399
Support costs	509	217
Total	3,883	2,183

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Report of the Trustees (continued) for the year ended 31 December 2008

Other

A number of initiatives supported in 2008 and 2007 fell outside our main programme focus. These related to small scale support on energy and environment issues – for example, work on climate change initiatives.

Resources expended:	2008 \$000	2007 \$000
Grants	395	(19)
Direct costs	378	41
Support costs	116	2
Total	889	24

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Report of the Trustees (continued) for the year ended 31 December 2008

Consolidated details of all grants committed or awarded in the year ended 31 December 2008 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2008 will be payable in subsequent financial years (see notes 5, 16 and 17).

<u>Programme</u>	<u>Grantee</u>	<u>Total funding S000</u>	
Breathing Space	Appropriate Rural Technology Institute <i>Commercialisation of Improved Biomass Fuels</i>	122	
	Appropriate Rural Technology Institute <i>Termination of Commercialisation of improved biomass fuels in India: Phase 3</i>	(281)	
	Berkeley Air Monitoring Group <i>Strategic Partner Monitoring & Evaluation</i>	272	
	Center for Entrepreneurship in International Health and Development <i>Standards and Health Policy Education</i>	26	
	EcoSecurities Consulting <i>Assessing the Implications of Carbon Markets</i>	33	
	Envirofit <i>Scale-up of Indian cookstove business</i>	3,300	
	Envirofit <i>Global Stove Business</i>	1,605	
	HELPS International <i>Improved stoves for Mexico</i>	125	
	KUSCCO Limited <i>Termination of Breathing space project</i>	(38)	
	Samuchit Enviro-Tech (SET) Pvt Ltd <i>Commercialisation of Improved Biomass Fuels</i>	99	
	Selco Solar Light Private Ltd <i>Business Plan - Stoves Component</i>	284	
	T Muniswamappa Trust <i>Stove microfinance Shimoga and Bhadravathi Talukas</i>	8	
	UNDP-NEAP <i>Termination of Reduction of IAP and conservation of forests at Galiat</i>	(180)	
	Venture Strategies for Health & Development <i>Termination of Commercialisation of Improved Cookstoves</i>	(26)	
	Difference in exchange arising from prior period grants	(1)	
		5,348	
	EMBARQ	World Resource Institute (WRI) <i>EMBARQ 2008 funding</i>	1,500
			1,500
	Energise & Excelerate	Husk Power Systems <i>Rural electrification via rice husk gasification power plants in Bihar</i>	164
		The Small-scale Sustainable Infrastructure Development Fund Inc (S3IDF) <i>Termination of Scaling up the S3IDF</i>	(1,300)
		Aldwych International Ltd <i>Facilitating investment into pro-poor power projects in Africa</i>	295
		East Africa Briquette Company <i>Termination of Bio-Briks: A renewable energy source for Tanzania</i>	(15)
		Difference in exchange arising from prior period grants	(56)
		(912)	

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2008

Incubator	Evolve Growing Systems Ltd <i>Termination of "solarroof" project</i>	(20)
	IP Business LLC <i>IP Social Investment Vehicle</i>	66
	Investment Climate Facility <i>The Investment Climate Facility</i>	900
	Optima Training <i>Growth Finance training in Africa</i>	250
	The Aspen Institute <i>Aspen Network for Development Entrepreneurs</i>	72
	The Rhoda Nsibirwa & W Kalema <i>William Kalema Education Trust</i>	7
	Youth Employment Summit (YES) <i>YES Strategic Plan Meeting '08</i>	21
	Difference in exchange arising from prior period grants	(413)
		<u>883</u>
Trading UP	Afrique Authentique <i>Traditional African Crafts</i>	100
	Better Capital Limited <i>Enable TBTC to build transparent sustainable supply chains in agriculture and horticulture</i>	1,100
	Organic Exchange <i>Scaling-up sustainable cotton in India with C&A and Organic Exchange: Stage 1</i>	300
	The Better Trading Company Ltd <i>Creating a scale-up intermediary</i>	1,111
	Difference in exchange arising from prior period grants	(15)
		<u>2,596</u>
Other	Africarbon Ltd <i>Unlocking carbon credits to Africa</i>	85
	Diligent Energy Systems BV <i>Sustainable Biofuel Production - Tanzania</i>	250
	Earthscan / James & James <i>Termination of Climate Policy Journal</i>	(50)
	The John Ray Initiative <i>Work on the environment & development</i>	10
	Third Generation Environmental <i>China - Low Carbon Economic Zones</i>	100
		<u>395</u>
	Total grants awarded in 2008	9,810

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

Report of the Trustees (continued) for the year ended 31 December 2008

Financial Review

Financial activities

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

Principle funding sources

The Foundation's annual grant programmes continues to be funded by donations from subsidiaries of Royal Dutch Shell plc. Shell Group has indicated the likely levels of support to 2010, and has made a commitment to donate \$18.8 million in 2009. Investment income from the Foundation's endowment fund is re-invested in accordance with the Reserves policy.

Reserves

The medium-term objective of the trustees continues to be to build endowment reserves to a level that provides a mature asset base capable of sustaining the funding of the entire annual programme of the Foundation. It was considered that the rate of annual growth on the original invested fund of \$256 million should be sufficient to attain the desired level of reserves by the end of 2010 – the desired level being that which would generate approximately up to \$25 million per annum after 2010. However, the recent economic climate has meant that it is unlikely this level of reserves will be reached by that time. Therefore, an investment strategy review will be undertaken in 2009 in order to assess what actions need to be taken. In the meantime it is anticipated that the annual grant programmes will continue to be financed by annual donations from subsidiaries of Royal Dutch Shell plc.

Unrestricted reserves have been deliberately accumulated over the period to 2006 due to many of the Foundation's programmes being in the "pilot" phase, and therefore not fully utilising these funds. The intention is that these unrestricted reserves will be utilised over the coming years as the programmes are scaled-up and spun-off. During 2008, the decision was also taken to utilise part of these unrestricted reserves for a social investment (see note 13).

Endowment Investment Policy and Performance

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

Investments are included at closing mid-market value at the balance sheet date. Overall investment performance of the endowment during 2008 showed a negative return of 21.38%, which was in line with the portfolio benchmark return. The equity portfolio returned -40.53% for the period, in line with the negative performance of the benchmark. It was a very volatile year as crisis erupted in the global financial system, in the form of a vicious cycle of market de-leveraging and deflation of financial assets, leading to more distress and sell-offs. Despite intervention from central banks and governments worldwide, the contagion spread to all parts of the global economy. The return from bond markets during the period was 5.61%, as in an environment of interest rate cuts and heightened risk aversion, investors sought a safe haven in government bonds worldwide.

The cumulative return of the portfolio since inception (21 December 2000) to year end 2008 was 22.8% (before fees). Because of the unprecedented meltdown in the global equity market, the Foundation's portfolio closed the year barely above the lower 5th percentile long-term financial value expected by December 2010.

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Report of the Trustees (continued) for the year ended 31 December 2008

Auditors

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

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

By order of the Board



Roxanne Decyk
Trustee

12 June 2009

Shell Foundation

Independent auditors' report to the member of Shell Foundation

We have audited the group and parent charity financial statements ("the financial statements") of Shell Foundation for the year ended 31 December 2008 which comprise the consolidated statement of financial activities, the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

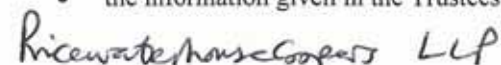
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 December 2008 and of the group's incoming resources and application of resources, including the group's income and expenditure and cash flows, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, 12 June 2009

Shell Foundation

Consolidated statement of financial activities for the year ended 31 December 2008

	Note	Unrestricted Funds 2008 \$000	Restricted Funds 2008 \$000	Endowment Funds 2008 \$000	Total Funds 2008 \$000	Total Funds 2007 \$000
Incoming Resources						
<i>Incoming resources from generated funds</i>						
Voluntary						
- Donations	2	17,600	308	-	17,908	16,400
- Voluntary Grant Repayment	4	-	-	-	-	145
Investment Income	3	412	-	5,584	5,996	13,607
Discontinued activities	4	22	-	-	22	-
Total Incoming Resources		18,034	308	5,584	23,926	30,152
Resources Expended						
<i>Cost of generating funds:</i>						
Investment management costs		-	-	(273)	(273)	(359)
Total cost of generating funds				(273)	(273)	(359)
<i>Charitable Activities</i>						
- Aspire		(496)	(54)	(8)	(558)	(6,995)
- Breathing Space		(7,508)	(125)	(113)	(7,746)	(5,983)
- EMBARQ		(1,783)	-	(27)	(1,810)	(2,687)
- Energise & Excelerate		781	-	(8)	773	(2,879)
- Incubator		(1,288)	-	(19)	(1,307)	(997)
- Trading UP		(3,826)	-	(57)	(3,883)	(2,183)
- Other		(747)	(129)	(13)	(889)	(24)
Discontinued activities		(4)	-	-	(4)	-
Total Charitable Activities	6	(14,871)	(308)	(245)	(15,424)	(21,748)
Governance costs	8	(386)	-	-	(386)	(372)
Exchange gain/(loss)		-	-	-	-	190
Total charitable expenditure		(15,257)	(308)	(245)	(15,810)	(21,930)
Total resources expended		(15,257)	(308)	(518)	(16,083)	(22,289)
Net incoming resources before revaluations and investment asset disposals						
Loss on disposal of subsidiary		(550)	-	-	(550)	-
Realised gains/(losses) on the revaluation and disposal of Investment assets		-	-	(1,085)	(1,085)	9,391
Unrealised gains/(losses) on the revaluation and disposal of Investment assets		-	-	(90,513)	(90,513)	3,230
Net Movement in Funds		2,227	-	(86,532)	(84,305)	20,484
Fund balances brought forward at 1 January 2008		11,462	-	397,699	409,161	388,677
Fund balances carried forward at 31 December 2008		13,689	-	311,167	324,856	409,161

All incoming resources, resources expended and resulting net movements in funds are derived from continuing activities, apart from the results of the 100% subsidiary SAEF, which was liquidated during the year and is disclosed as discontinued activities. There are no recognised gains or losses other than those outlined in the Statement of Financial Activities.

The accompanying notes form part of these financial statements.

Shell Foundation

Consolidated income and expenditure account for the year ended 31 December 2008

	2008 \$000	2007 \$000
Income		
Voluntary Income	17,908	16,400
Investment Income	5,996	13,607
Other Income	22	145
Expenditure		
Investment management costs	(273)	(359)
Charitable activities	(15,424)	(21,558)
Governance costs	(386)	(372)
Net surplus / (deficit) before investment asset disposals	7,843	7,863
Realised (loss)/gain on investment asset disposals	(1,085)	9,391
Net surplus of income over expenditure for the year	6,758	17,254

Balance sheets as at 31 December 2008

	Note	Shell Foundation 2008 \$000	Shell Foundation 2007 \$000	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Fixed Assets					
Investments	12	315,761	418,011	315,761	418,011
Social investments	13	1,087	-	1,087	-
		316,848	418,011	316,848	418,011
Current Assets					
Debtors: amounts falling due within one year	14	-	15	-	34
Cash at bank & in hand	15	16,432	3,415	16,432	4,133
		16,432	3,430	16,432	4,167
Creditors: amounts falling due within one year	16	(7,925)	(11,657)	(7,925)	(11,863)
Net Current Assets/(Liabilities)	19	8,507	(8,227)	8,507	(7,696)
Total Assets less Current Liabilities		325,355	409,784	325,355	410,315
Creditors: amounts falling due after more than one year	17	(499)	(1,154)	(499)	(1,154)
Net Assets		324,856	408,630	324,856	409,161
Represented by:					
Endowment Funds – including a revaluation reserve in \$000 of (17,960) (2007: 72,480)	18	311,167	397,699	311,167	397,699
Restricted Funds	18	-	-	-	-
Unrestricted Funds	18	13,689	10,931	13,689	11,462
Total Funds		324,856	408,630	324,856	409,161

The accompanying notes form part of these financial statements.

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


Roxanne Decyk
Trustee

12 June 2009

Shell Foundation

Consolidated cash flow statement for the year ended 31 December 2008

	Note	2008		2007	
		\$000	\$000	\$000	\$000
Net cash inflow from operating activities			(2,359)		(514)
Returns on investments and servicing of finance	20				
Interest Income (unrestricted)		110		234	
Investment Income (unrestricted)		305		813	
Investment income received endowment funds		5,761		12,679	
Investment income attributable to endowment funds		(5,761)		(12,679)	
Investment income due to Voluntary Grant repayments		-		145	
Total returns on investments and servicing of finance			415		1,192
Capital expenditure and financial investment					
<u>Investing Activities</u>	12				
Purchase of investments		(56,221)		(76,607)	
Purchase of social investments		(1,087)		-	
Sale of investments		55,688		71,933	
(Purchase)/Sale of Investments Fidelity		16,490		-	
Dividends reinvested Fidelity		(305)		(813)	
Cash disposed of with subsidiary		(718)		-	
<u>Hedging Activities</u>	12				
Payments on forward foreign exchange contracts		(1,544,660)		(1,453,451)	
Proceeds on forward foreign exchange contracts		1,539,650		1,440,334	
Gain/(loss) on foreign exchange		(245)		186	
Cash flow attributable to endowment investments		5,788		17,605	
Total capital expenditure and financial investment			14,380		(813)
Financing					
Investment income retained within endowment funds		5,761		12,679	
Cash flow attributable to endowment investments		(5,788)		(17,605)	
Cash expended on endowment fund fees		(110)		(525)	
Total Financing			(137)		(5,451)
Increase/(Decrease) in cash in the year			12,299		(5,586)
Analysis of change in cash					
Cash balance at 1 January			4,133		9,719
Cash balance at 31 December			16,432		4,133
Increase/(Decrease) in cash in the year			12,299		(5,586)

The accompanying notes form part of these financial statements.

Shell Foundation

Notes to the financial statements for the year ended 31 December 2008

1 Accounting Policies

Basis of Preparation

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

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

The financial statements of the Foundation are prepared in United States dollars. This is because the local currency of the Foundation, defined in SSAP 20 as the currency of primary economic environment in which the Foundation operates, is US dollars, reflecting the high proportion of grants awarded and donations received in dollars and consequent dollar weighting of its investment funds. The average exchange rate used during the year to translate Sterling (GBP) to US dollars (USD) was GBP/USD 0.5332, and the average exchange rate used to translate Rand to US dollars was Rand/USD 7.5645.

Consolidation

The financial statements consolidate, on a line by line basis, those of the Foundation and its wholly-owned South African not for profit subsidiary, the South African Energy Facility, for the period up to its liquidation in March 2008. Following liquidation, a net loss was recorded as no proceeds were received. As permitted by paragraph 304 of the Charities SORP, no separate Statement of Financial Activities has been presented for the Foundation alone. The net incoming resources and net movement in funds of the Foundation alone were (in \$000s) 7,824 (2007: 7,678) and (83,774) (2007: 20,299) respectively. The disclosures listed in paragraph 401 of the Charities SORP have not been given, as the subsidiary is not material to the group.

The Foundation works in partnership with other organisations to fulfil its objectives. These partnerships are of a strategic nature, apart from in the case of The Low Carbon Seed Fund LLP ("the LLP"), in which the Foundation is a non-beneficial partner. As the Foundation has no right to a share in the results of the LLP it has not been treated as a participating interest, and as such the results of this partnership are not consolidated in the Foundation's group accounts. The net loss and net assets of the LLP for the year ended 31 July 2008 were £52,570 and £451,793 respectively.

Fund Accounting

Funds held by the charity are either:

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

Incoming Resources

Donations and investment income are included in the Statement of Financial Activities when the charity is legally entitled to the income. Donated services, if applicable, are included in income at a valuation, which is an estimation of the value to the charity. There were no donated services in 2007 or 2008.

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

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

Resources Expended

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

Costs of Generating Funds

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

Charitable activity costs

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

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

Governance costs

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

Value Added Tax ('VAT')

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

Gains and Losses on Foreign Exchange

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

Investments

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

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

Financial Instruments

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

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

2 Donations Received

	2008 \$000	2007 \$000
Cash		
Shell Trading International Ltd	17,600	16,400
Shell International B.V	125	-
Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)	54	-
Department for Environment, Food and Rural Affairs (DEFRA)	129	-
	17,908	16,400

3 Investment income

	Shell Foundation 2008 \$000	Shell Foundation 2007 \$000	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Interest on Cash Deposits	412	989	412	1,047
Fixed Interest Securities	-	6,911	-	6,911
Dividends	5,584	5,649	5,584	5,649
	5,996	13,549	5,996	13,607

4 Voluntary repayments

	Shell Foundation 2008 \$000	Shell Foundation 2007 \$000	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Voluntary part repayment of grant from Empowerment through Energy Fund	-	-	-	145
	-	-	-	145

The Foundation provided a grant of one million US dollars to The South African Energy Facility (SAEF) on 28 November 2003. SAEF in turn awarded a grant of this amount to the Empowerment Through Energy Fund (ETEF) as a risk capital contribution. ETEF is a pro-poor trust with a limited life of seven years. In view of the good performance of ETEF, the trustees of ETEF agreed in 2006 and in 2007 that a payment be made to its donors and investors in proportion to their original contributions. This was in line with the original intention of SAEF's grant to ETEF that any monies received back from ETEF would be re-distributed into further pro-poor charitable activities in South Africa.

The members of SAEF met on 4 October 2007 and agreed to the voluntary winding-up of SAEF, as it has now completed its purpose. The certificate of confirmation of the liquidation was issued by the Registrar of Companies and Close Corporations in South Africa on 14 March 2008. The results of SAEF for the period up to liquidation are disclosed on the face of the SOFA as "discontinued activities", and the disposal of this subsidiary resulted in a loss of \$550k.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

5 Grants Payable

	Shell Foundation 2008 \$000	Shell Foundation 2007 \$000	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Grants payable brought forward	(11,762)	(6,748)	(11,960)	(6,998)
Payments	15,097	11,015	15,295	11,067
Grants payable within 1 year	5,976	10,608	5,976	10,806
Grants payable after 1 year	499	1,154	499	1,154
Grants awarded in the year	9,810	16,029	9,810	16,029

A full list of grants awarded in the year ended 31 December 2008 is included in the Trustees' Report (pages 15 to 16).

6 Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2008 \$000	2007 \$000
Aspire		(485)	(73)	(558)	(6,995)
Breathing Space	(5,348)	(1,383)	(1,015)	(7,746)	(5,983)
EMBARQ	(1,500)	(73)	(237)	(1,810)	(2,687)
Energise & Excelerate	912	(70)	(69)	773	(2,879)
Incubator	(883)	(253)	(171)	(1,307)	(997)
Trading UP	(2,596)	(778)	(509)	(3,883)	(2,183)
Other	(395)	(378)	(116)	(889)	(24)
Discontinued activities	-	(4)	-	(4)	-
Total for 2008	(9,810)	(3,424)	(2,190)	(15,424)	
Total for 2007	(16,029)	(3,562)	(2,157)		(21,748)

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

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

7 Direct and Support Costs

	Direct costs \$000	Support costs \$000	2008 \$000	2007 \$000
Manpower costs (see note 10)	(1,164)	(801)	(1,965)	(2,172)
External services	(1,363)	(91)	(1,454)	(2,244)
Communications	(495)	(285)	(780)	(498)
Travel	(425)	(91)	(516)	(567)
Training	(58)	(3)	(61)	(58)
Sundry	(4)	(34)	(38)	(180)
Exchange gain/loss	85	(885)	(800)	-
Total	(3,424)	(2,190)	(5,614)	(5,719)

External service costs are those paid directly to a third party supplier for services (including professional fees and consultancy) rather than being paid via a grantee intermediary. Direct costs for external services shows costs at the project level, support costs are charity wide. Within external services for 2008, \$280,784 was payable to Shell Group companies on normal business terms, and \$57,440 was payable to PricewaterhouseCoopers LLP for non-audit services.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

8 Governance Costs

	2008	2007
	\$000	\$000
Manpower costs (see note 10)	(314)	(260)
Audit fees	(53)	(57)
Publications	-	(13)
Trustee expenses	(13)	(9)
Legal fees	(6)	(33)
Total	(386)	(372)

Net incoming resources are stated after charging auditors' remuneration for audit services ("Audit Fees") as shown above. These are the fees for the audit of the Foundation's consolidated accounts. Within the subsidiary SAEF's operating expenditure for 2008 is a \$536 (2007: \$4,260) fee for the audit of their statutory accounts by PricewaterhouseCoopers Inc – this is included in sundry direct costs (note 7).

9 Trustee information

No trustee received any remuneration from the charity during the year. The Foundation directly incurred or reimbursed travel expenses in relation to three trustees totalling \$13,309 (2007: \$9,457 in respect of three trustees).

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

10 Employee information

The Foundation has no direct employees. Some employees of Shell Group companies work on the Foundation's activities. The average staff employed by Shell Group companies to work for the Foundation during the year was 10.4 (2007: 10.2).

Manpower expenditure included in Direct and Support costs (note 7) and Governance costs (note 8) comprises charges at cost in respect of the services of these Shell Group employees, including salaries and office overhead costs. The salary and tax element included within Manpower expenditure is as follows:

	2008	2007
	\$000	\$000
Salaries	(1,526)	(1,495)
Social security	(159)	(154)
Pension costs	(295)	(269)
	(1,980)	(1,918)

The number of Shell Group employees working on Foundation activities whose emoluments amounted to over £60,000 in the year was 4 (2007: 4).

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

11 Taxation

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

12 Investments – charity and group

	Market Value 01-Jan-08 \$000	Purchases at cost/ Deposits \$000	Sale Proceeds/ Withdrawals \$000	Gains/ (Losses) \$000	Market Value 31-Dec-08 \$000
Pooled Investment Vehicles					
Overseas bonds	163,242	4,867	(53,190)	8,627	123,546
Overseas equities	242,752	51,354	(2,502)	(109,239)	182,365
	405,994	56,221	(55,692)	(100,612)	305,911
Forward Foreign Exchange Contracts	(4,200)	1,544,660	(1,539,650)	9,014	9,824
Sub-Total	401,794	1,600,881	(1,595,342)	(91,598)	315,735
Cash invested in institutional cash funds	16,217	301	(16,490)	(2)	26
Totals	418,011	1,601,182	(1,611,832)	(91,600)	315,761

As at the year end the Foundation held equity investments valued at \$182 million, benchmarked to the MSCI World Index, held with State Street Global Advisors in a Common Trust Fund, and bond investments valued at \$124 million, benchmarked to a World Government Bond Index. Total assets invested in Common Trust Funds at the year-end were \$306 million. Cash invested in institutional cash funds represents cash invested in Fidelity Institutional Cash Fund plc.

13 Social investments

	Shell Foundation 2008 \$000	Shell Foundation 2007 \$000	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Social investments				
GroFin Africa Fund	1,087	-	1,087	-

The value of social investments at the year end is shown at cost. The investment in the GroFin Africa Fund (GAF) represents 1,087,156 Class A (\$1) shares in the fund.

14 Debtors – charity and group

	Shell Foundation 2008 \$000	Shell Foundation 2007 \$000	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Amounts falling due within one year:				
Other Debtors	-	15	-	34

Other debtors primarily relate to investment activities.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

15 Cash at bank and in hand – charity and group

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Cash at Bank	16,432	3,415	16,432	4,133

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

16 Creditors: amounts falling due within one year

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

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Grants Payable	5,976	10,608	5,976	10,806
Trade Creditors – Shell International Limited	810	705	810	705
Accruals – Shell International Limited	1,139	344	1,139	344
Accruals – Other	-	-	-	8
	7,925	11,657	7,925	11,863

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

	Shell Foundation	Shell Foundation	Shell Foundation Group	Shell Foundation Group
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Total Grants payable	6,475	11,762	6,475	11,960
Less amounts falling due within one year (note 15)	(5,976)	(10,608)	(5,976)	(10,806)
	499	1,154	499	1,154
Represented by:				
Grants payable in greater than one year but less than two years	462	857	462	857
Grants payable in greater than two years	37	297	37	297
	499	1,154	499	1,154

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

18 Group Funds

	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	397,699	5,584	(518)	(91,598)	311,167
Unrestricted Funds	11,462	18,034	(15,257)	(550)	13,689
Restricted Funds	-	308	(308)	-	-
	409,161	23,926	(16,083)	(92,148)	324,856

19 Analysis of net assets between funds

	Note	Unrestricted Funds 2008 \$000	Endowment Funds 2008 \$000	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Fixed Assets					
Investments (at market value)	12	4,594	311,167	315,761	418,011
Social investments (at cost)	13	1,087	-	1,087	-
		5,681	311,167	316,848	
Current Assets					
Debtors: amounts falling due within one year	14	-	-	-	34
Cash at bank & in hand	15	16,432	-	16,432	4,133
Creditors: amounts falling due within one year	16	(7,925)	-	(7,925)	(11,863)
Net Current Assets/(Liabilities)		8,507	-	8,507	(7,696)
Total Assets less Current Liabilities		14,188	311,167	325,355	410,315
Creditors: amounts falling due after more than one year	17	(499)	-	(499)	(1,154)
Net Assets		13,689	311,167	324,856	409,161

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

	Shell Foundation Group 2008 \$000	Shell Foundation Group 2007 \$000
Continuing activities		
Net incoming / (outgoing) resources - unrestricted funds	2,227	(4,485)
Investment income - unrestricted funds	(305)	(813)
Increase in net creditors – unrestricted funds	(4,721)	5,152
Voluntary Grant repayment	-	(145)
Interest Income on bank accounts	(110)	(234)
Exchange (gains)/losses	550	11
	(2,359)	(514)

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2008

21 Capital commitments

The Foundation had no capital commitments as at 31 December 2008 (2007: \$ nil).

22 Capital

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

23 Related party transactions

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

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

Dr Kalema is also a trustee of the Investment Climate Facility, a multi-donor initiative, to which the trustees of the Foundation approved a commitment in November 2005, and a grant of \$900k was awarded to during 2008. Dr Kalema is also a trustee of The Rhoda Nsibirwa & William Kalema Trust, an education trust registered in Uganda, which received a grant of \$7k from the Foundation during the year.

Sir John Houghton is a former trustee of The John Ray Initiative, registered charity 1067614, which received a grant of \$10k from the Foundation during 2008. Sir John Houghton is also a co-donor to Jesus College, Oxford University, for the Sir John Houghton Research Fellowship, to which the Foundation awarded a grant of £150,000 in 2007.

24 Contingent liabilities

At any time the Foundation may be in discussion with potential grantees or may even have made formal offers of grants to grantees, which are pending their acceptance. As at 31 December 2008 there were no contingent liabilities in the form of formal offers ("Letters of Understanding") issued but pending acceptance. All accepted offers of grants have been included in charitable expenditure for the year. As at 31 December 2008 the Foundation had contingent liabilities of \$5.1 million in respect of the following:

<u>Organisation</u>	<u>\$000</u>
A. EMBARQ project - In 2007 grants of \$2.3 million were awarded to the World Resources Institute (WRI). In addition, during December 2007 a contingent liability of \$1.5 million per year for the years 2008 – 2011 was entered into, which is conditional upon the future performance of the grantee.	4,500
B. Investment Climate Facility Africa (ICF) – On 15 November 2005 the Trustees of Shell Foundation entered into a contingent liability with the Investment Climate Facility Africa, a UK government backed development initiative. The total commitment of \$1.5 million is to be awarded across five years. During 2008 a grant for the first three years of \$0.9 million was awarded. It is also our understanding that subject to satisfactory performance of the ICF there will be an additional financial commitment of \$0.3 million per annum for years four and five.	600
	<u>5,100</u>