



**SHELL
FOUNDATION**

Shell Foundation

(a company limited by guarantee)

Report of the Trustees and financial statements for the year ended 31 December 2012

Company Registered Number: 4007273
Charity Registered Number: 1080999

Shell Foundation

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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)

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

Mr Malcolm Brinded, CBE	Chairman	Nominated trustee from 1 May 2012
Mr Peter Voser		Resigned with effect 30 April 2013
Mr Ben van Beurden		
Mr Hugh Mitchell		Foundation trustee from 1 May 2013
Lord Mark Malloch-Brown	Nominated trustee	
Dr William Kalema	Nominated trustee	
Prof Louise Fresco	Nominated trustee	

Principal Officers

Dr Chris West	Director
Shell Corporate Secretary Ltd	Secretary
Mrs Amanda Burston	Finance Manager

Registered Office

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London
SE1 7NA

Independent Auditors

PricewaterhouseCoopers LLP
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London
SE1 2RT

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Investment Custodian

JP Morgan Chase Bank
60 Victoria Embankment
London EC4Y 0JP

Report of the Trustees for the year ended 31 December 2012

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 2012.

The information with respect to trustees, directors, officers and advisors set out on page 3 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005 and the Charities Act 2011.

Status and Administration

Shell Foundation ('the Foundation') is a charitable company limited by guarantee, incorporated on 31 May 2000 (company registration number 4007273) and registered with the Charity Commission as a charity on 2 June 2000 (charity registration number 1080999). Since 14 February 2008, the Foundation has had charity registration with the tax authorities in The Netherlands (as an *algemeen nut beogende instelling*). The Foundation is also registered in the United States of America under section 501(c)(3) of the Internal Revenue Code, identification number 98 0368454.

Structure, Governance and Management

Governance and Internal Controls

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

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

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

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

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

Report of the Trustees (continued) for the year ended 31 December 2012

Statement of trustees' responsibilities

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

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

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

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

In so far as the trustees are aware:

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

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

Risk Management

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

Of the 10 key risks identified, none are currently regarded as posing an unacceptable residual exposure. One key area of risk for the Foundation is the reliance 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 strategic partners, and ongoing management of existing partners. Another key risk is the performance of the endowment fund, particularly after the losses incurred during 2008 and as the Foundation must rely on its endowment for unrestricted income. In response to this risk, the trustees implemented new investment objectives in 2011. They also secured agreement from the member to provide additional 'top-up' unrestricted donations until at least 2013 in the event that the endowment does not generate sufficient returns to achieve the Foundation's objectives and maintain impact.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2012

Relationship with the Shell Group

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

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

The Foundation was formally incorporated on 31 May 2000 and registered as a charity on 2 June 2000. Between incorporation and 31 December 2000, donations of US\$259 million were received from Shell Group companies, of which US\$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 unrestricted and restricted donations from the Shell Group until 2012 totalling US\$178m, and will receive further unrestricted and restricted donations in 2013.

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.

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

Report of the Trustees (continued) for the year ended 31 December 2012

Objectives, Activities and Achievements for the Public Benefit

Objectives for the Public Benefit

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

1. The protection and preservation of the environment and public health by means of education and research into the provision and use of energy in ways that reduce or eliminate harmful emissions. *The Foundation has pursued this objective via grants made through its Breathing Space, EMBARQ, and Excelerate programmes.*
2. The advancement of education of young persons and adults. *The Foundation has pursued this objective via grants made through its LEAD Africa Fellowship Programme.*
3. The establishment in life of young persons aged not more than 30 years. *This objective was not the focus of a specific programme in 2012.*
4. The relief of poverty, suffering, hardship and distress. *This objective has been furthered via grants made through all the Foundation's programmes.*

The trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit in section 4 of the Charities Act 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. It is not the Foundation's practice to support:

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

Activities and Achievements for the Public Benefit

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

Report of the Trustees (continued) for the year ended 31 December 2012



BUILDING BETTER
BUSINESSES



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

Aspire helps under-served SMEs in developing countries to fulfil their potential and in turn create much needed jobs and economic growth. Shell Foundation has a long-term strategic partnership with GroFin – an African specialist SME finance and development company. GroFin assists start-up and early stage growth SMEs through the integrated provision of business development assistance and appropriate finance. Together Shell Foundation and GroFin are promoting a new asset class called ‘Growth Finance’ – our aim is to create a self-financing driver of pro-poor economic growth.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Provide governance and advisory support to ensure the performance of GroFin’s regional SME funds in Africa.	SF played an active role in the performance evaluation of all funds in Africa (~US\$270m) and supported a market evaluation exercise to assess expansion in Nigeria.	GroFin has now achieved financial-sustainability across eight countries in Africa, creating +12,000 jobs and improving 191,000 livelihoods to-date.	Continue to monitor performance of regional SME funds in Africa to ensure strong financial returns and verifiable development impact.
Support GroFin to establish operations in the Middle East – in order to promote regional stability and development through sustainable job creation.	In 2012, SF and GroFin created a new SME fund in the Middle East called ‘Nomou’. SF assisted with the local adaptation of the GroFin business model, recruitment of key staff and marketing to potential investors.	GroFin established a regional MENA office in Dubai and a local office in Jordan. GroFin raised funds from a variety of supporters (currently the majority has come from Shell) for investment within Jordan, Saudi Arabia, Iraq, Egypt and Oman.	Support GroFin to build capacity, raise further funds and deploy its first investment in 2013 – starting with Jordan in Q2. SF will sit on the Nomou Advisory Council to monitor the performance of all MENA funds.
Share SF learning on the potential for Growth Finance to deliver financial and developmental returns; and build infrastructure to support SME growth and encourage investment.	SF engaged actively with donors and impact investors – including continued support for the Aspen Network for Development Entrepreneurs (a global network co-founded by SF to support the growth and scale-up of businesses who support SME growth).	SF participated on a range of advisory committees, councils and investment networks convened to support organisations who focus on SME development. SF also supported research into the lack of SME support in the Middle East for publication in Q1 2013.	SF will continue to leverage support and co-create the infrastructure necessary to establish Growth Finance as a new asset class – in order to magnify the contribution of SMEs to sustainable development in emerging markets.

Resources expended:

	2012 \$000	2011 \$000
Grants	4,880	5,735
Direct costs	366	223
Support costs	391	518
Total	5,637	6,476

Report of the Trustees (continued) for the year ended 31 December 2012



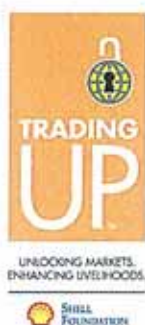
Over 50% of the world's population now live in cities, with a fast growing number of megacities each having more than 10 million residents. The urban poor in the developing world suffer particularly from the economic and health impacts of traffic congestion which causes pollution and lengthy commutes to work.

EMBARQ, the World Resources Institute's Centre (WRI) for Sustainable Transport, was co-founded by Shell Foundation in 2002. The network works in partnership with cities to catalyse new environmentally and financially sustainable solutions to urban mobility problems, and has grown to include regional centres in Mexico, Brazil, Peru, Turkey, India and China.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Support EMBARQ to become the preferred partner for cities requiring urban mobility expertise; and to influence sustainable transport policy at a national and international level.	In 2012 SF helped EMBARQ to develop a new growth strategy to reach 200 cities by 2016, based on an organisational restructure around three technical functions: transport, urban development and road safety.	EMBARQ has worked with over 58 cities to-date. Over 3.8m passengers benefit from their activities each day, saving 1.8m tonnes of CO ₂ . EMBARQ commenced its first two major projects in China to assess low-carbon mobility solutions for fast-growing cities. The network helped to secure a US\$175 billion commitment toward sustainable transport from development banks at Rio+20.	Continue to support the scale-up of EMBARQ in terms of number of people served, social and environmental impact and geographic footprint. Leverage SF networks to encourage engagement with multinational businesses in support of EMBARQ's work. Engage with transport experts in developed world cities to apply their learning to EMBARQ projects in emerging markets.
Report SF learning over 10 years of working in sustainable mobility. Share success and failure transparently with other practitioners to improve efficiency in the sector.	SF published a report based on its experiences with EMBARQ to explain the urgent need for a blend of early-stage support to enable disruptive mobility solutions to achieve global impact.	75 leading mobility experts and practitioners attended a London workshop hosted by SF in Q4, leading to several promising collaborations.	Engage with innovative mobility stakeholders (local government, corporates, academia and development agencies) to support cost-effective ways to catalyse and grow viable solutions.
Assess opportunities for new SF partnerships to tackle sustainable mobility challenges at scale.	SF conducted a sector-wide analysis to identify innovative new business models and potential entrepreneurial partners.	SF has co-developed two models for incubation in 2013 – to make global freight movements and auto-rickshaw usage more sustainable.	SF will conduct due diligence and test viability of two new partnerships to address global freight movements and auto-rickshaw services.

Resources expended:	2012	2011
	S000	S000
Grants	1,125	1,283
Direct costs	472	430
Support costs	119	149
Total	1,716	1,862

Report of the Trustees (continued) for the year ended 31 December 2012



Sustainable agriculture is critical to successful international development – with 40% of the world dependent on agriculture to earn a living, rising to 80% in parts of Africa and Asia. Many poor farmers in developing countries depend upon exporting foods and other products that cannot be grown or produced in developed countries.

Trading UP unlocks markets for developing world farmers and helps international retailers create more sustainable supply chains. Shell Foundation has helped create two specialist intermediaries to provide business development assistance, funding and market linkages. The Better Trading Company (TBTC) was formed in 2007 as a commercial link between small-scale agricultural producers and global retailers. CottonConnect (CC) was co-founded in 2009 to help retailers manage their cotton supply while reducing poverty and protecting the environment

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Support CC to create a viable business to help global retailers source more sustainable cotton (reducing water and pesticide use and improving farmer livelihoods) and work with farmers to increase market supply.	SF provided strategic support to CC to expand its client portfolio in Europe and improve farmer training capacity in India and China. SF convened a business challenge session in Q3 to assess the projected viability of CC's business model in the current market conditions.	50,000 farmers in India have now benefited from learning more sustainable farming practices. Clients now include 15 prominent brands / retailers including IKEA, Nike and the John Lewis Partnership. In 2012, CC expanded its agricultural team in Xinjiang – a major cotton-producing region in China.	SF will support CC to build its capacity and client base, and to generate further income through new value-add products and services, in line with its plan to target financial viability by 2015.
Support TBTC to secure further supply agreements, achieve financial sustainability and leverage external investment to expand operations in Africa and Europe.	SF supported TBTC to develop new income streams through consultancy, improve margins (through product selection) and cost-efficiency, and increase supply from Zimbabwe by leasing land and expanding packing facilities.	TBTC has now enhanced the 35,000 livelihoods in Africa, providing fresh produce and chillies sourced from smallholder farmers to multiple clients including a major Dutch wholesaler, UK supermarket ASDA, the McIlhenny Company (makers of Tabasco® Sauce) and Nandos.	Support TBTC to achieve greater social and environmental impact and financial viability in 2013, and to develop a diverse range of niche products to bring to market.
Share SF learning on how to establish and support specialist intermediaries to significantly improve the sustainability of retailer supply chains – in agriculture and beyond.	In Q3 SF published a 40-page report covering its work to address agricultural supply chain sustainability, and examining the potential of specialist intermediaries to deliver value in a broad range of retail value chains.	SF convened 30 retailers, brands and development organisations at a select roundtable in Q4 to discuss the opportunities and challenges of creating sustainable supply chains at scale.	Promote the impact of TBTC and CC models to deliver economic value through more transparent and sustainable supply chains. Encourage wider adoption and support for these services by retailers.

Resources expended:

	2012 \$000	2011 \$000
Grants	600	1,565
Direct costs	447	435
Support costs	78	174
Total	1,125	2,174

Report of the Trustees (continued) for the year ended 31 December 2012



Three billion people around the world cook on open fires or inefficient traditional stoves in poorly ventilated homes, primarily using biomass fuels. This raises fuel costs and carries a major health risk for low-income families. Toxic smoke from this type of cooking kills four million people a year and is a major contributor to climate change.

Breathing Space aims to catalyse a new market for efficient “clean” cookstoves that dramatically reduce fuel use, cooking time and emissions. Since 2007, Shell Foundation has worked with Envirofit International to create a global organisation to design, produce and market affordable, durable clean cookstoves. In 2010, Shell Foundation and the UN Foundation co-founded the Global Alliance for Clean Cookstoves, a public-private partnership that aims to deploy market-based approaches to enable 100 million homes to adopt clean and efficient stoves by 2020.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Maintain support to Envirofit to enhance product development, expand into new territories and secure additional funding.	In 2012, SF helped Envirofit build a portfolio of national distribution partnerships across Africa, Asia and Latin America; and led a restructuring of Envirofit into a social business and separate NGO – providing flexibility to leverage debt or equity investment.	Envirofit have now sold 475,000 clean cookstoves, with annual sales up by 60%, fuelled by continued growth and new local manufacturing facilities in Africa – and the launch of a new stove in Honduras. Envirofit also secured a US\$3m loan from the Calvert Foundation in Q3.	Support Envirofit to achieve financial-viability by 2015 – and build its capacity to bring new ‘fit-for-purpose’ stoves to market and significantly scale its impact.
Innovate new solutions to distribute clean cookstoves in rural areas – a major market barrier to scale.	SF provided strategic and technical support to Gajam’s project Dharma, a social enterprise, to create a network of trained village entrepreneurs that sells affordable social-impact products in rural India.	Dharma’s network now numbers 2200 entrepreneurs, and has benefited 200,000 people in India. Products include clean cookstoves, solar lights and fortified foods from Unilever, Coca-Cola and GlaxoSmithKline.	Support Dharma to significantly improve access to social-impact products – through growth in India, improving its training facilities and product offering and achieve financial viability.
Build market infrastructure to catalyse a global clean cookstove industry and leverage investment into this new sector.	SF continued to support and oversee the development of the Global Alliance for Clean Cookstoves with the UN Foundation. SF investigated new models to help manufacturers develop distribution channels and leverage potential carbon savings in Africa.	The Global Alliance now has 300 members and took steps in 2012 to create a set of industry standards to provide end-users with an essential mark of quality. SF and Envirofit launched a US\$2.1m Carbon Financing facility to help producers to generate revenue by monetising carbon savings.	Support the Global Alliance to build the clean cookstove industry on a global and cross-sector level and support market entry. Scale the impact of pilot funds supporting rural distribution and carbon-trading – by establishing independent vehicles and leveraging investment.

Resources expended:

	2012	2011
	\$000	\$000
Grants	4,956	4,290
Direct costs	765	866
Support costs	426	449
Total	6,147	5,605

Report of the Trustees (continued) for the year ended 31 December 2012



DEVELOPING SKILLS.
BOOSTING PROSPERITY



Over 1.6 billion people across the developing world lack access to affordable and reliable energy services. 30% of these people live in India. There are significant gaps between demand for modern energy services and the supply of appropriate technology and enterprise to deliver these – especially in rural areas not connected to the energy grid. This negatively impacts upon all aspects of their lives and is one of the most important constraints on their ability to escape poverty and contribute to the economic development of their countries.

Excelsate aims to support small and growing enterprises that provide modern energy services to the poor in ways that are financially viable and scaleable, with an initial focus on India. In addition to enhancing access to energy the programme aims to create significant reductions in carbon emissions.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Work directly with a small number of selected social entrepreneurs providing access to affordable modern energy services – providing the business skills and patient capital required for their start-up and viable growth.	SF provides strategic support to three enterprises involved in off-grid community electrification and making affordable energy products more accessible to rural communities. In 2012 SF helped partners recruit senior staff; improve management systems, training capacity and safety processes; leverage investment and develop rural distribution networks.	Husk Power Systems has installed 80 rice husk gasification power plants in Bihar, India, providing electricity to 200,000 villagers. In Q4 Husk secured US\$5.75m investment to expand in India and East Africa. SF and OPEC's International Development Fund combined to create a Working Capital Facility for Distributors – enabling the sale of 400,000 d.light solar lanterns in rural East Africa.	Continue to support Excelsate partners to attract talent, leverage investment, foster demand and to implement the systems and processes in order to scale their rural energy businesses across India and East Africa in 2013.
Catalyse the growth of the SME energy sector by creating intermediaries to provide business skills and finance to entrepreneurs on a larger scale.	SF provided management support, governance and investment screening to two early-stage intermediaries in India: a) Intellegrow, a provider of debt finance and business support to small businesses; b) The Accelerator Fund, a provider of skills and equity finance to early stage energy providers focusing on low-income customers.	IntelleGrow has now made 19 loans, improving 340,000 livelihoods and offsetting 4000 tonnes CO ₂ . The Accelerator Fund appointed a director in June 2012. The Fund currently has 12 companies in its pipeline and approved its first investment in Q4.	Support Intellegrow to build core capacity, build its management team, and monitor and evaluate performance to achieve self-sufficiency and maximise social impact. Support The Accelerator Fund to demonstrate the strength of its business model and leverage new capital to scale its portfolio in 2013.

Resources expended:	2012	2011
	\$000	\$000
Grants	5,181	2,708
Direct costs	445	340
Support costs	419	265
Total	6,045	3,313

Report of the Trustees (continued) for the year ended 31 December 2012

LEAD Africa Fellowship Programme

Strong and effective leadership is critical if Africa is to convert its emerging economic power into sustainable development. Political leadership is a necessity, but good governance in all sectors and at all levels of society is also crucial to Africa's future.

The LEAD Africa Fellowship Programme (LAFP) seeks to equip a new generation of African leaders – in business, the community, media, government, civil society, and in academia – with the skills and networks necessary for effective change. The programme, launched in 2009, is implemented in strategic partnership with LEAD – an international non-profit organisation that has delivered a core leadership programme in Africa for nearly 20 years as part of its wider mission to inspire leadership for a sustainable world.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Help LEAD to develop the LAFP programme, advise on the course syllabus, improve cost-efficiency and create a sustainable growth plan beyond 2012.	SF provided ongoing strategic and governance support to LEAD and supported course development and marketing in 2012. SF worked with LEAD to identify new ways to improve the cost-efficiency of its delivery structure.	In 2012, 120 participants selected from Senegal, Malawi, Chad and The Gambia benefited from LAFP training. With SF support LEAD started a programme to virtualise the LAFP for 2013 in order to reduce costs and achieve sustainability.	Following rigorous examination of the LAFP model, learnings and independent analysis, SF concluded that the LAFP pilot will not achieve the desired objectives for scale and sustainability (see below).
Assess whether the pilot work to-date on the LAFP is suitable for further scale-up work.	SF conducted an extensive analysis of the LAFP model and data from the first two years, and contracted an independent consultancy to assess the long-term viability of the programme.	The review concluded that integrating a business-based training programme within LEAD's existing and long-standing organisational structure would be difficult. This was supported by problems with implementing cost-saving measures and better reporting processes at a local level in 2012.	In response, SF began to phase out its support for the LAFP during 2012 (while ensuring training to currently enrolled students is delivered successfully). In 2013 SF will assess a range of new models and partners to deliver a training programme to equip future leaders in Africa with the tools they need to achieve sustainable regional development.

Resources expended:	2012	2011
	\$000	\$000
Grants	593	812
Direct costs	254	179
Support costs	63	86
Total	910	1,077

Report of the Trustees (continued) for the year ended 31 December 2012

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

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Maintain a limited portfolio of Incubator projects that add value to existing programmes or represent solution-orientated approaches to issues consistent with SF's mission.	<p>In 2012 SF assessed potential initiatives to:</p> <ul style="list-style-type: none"> - develop markets for ecosystem services; - catalyse new revenue streams for 'green' businesses through carbon finance; - provide business skills to managers of protected World Heritage Sites; - provide marketing and branding skills to enable developing world producers to secure market access and improve contracts with international retailers. 	<p>SF partner, The Environment Bank, has been selected by the UK government to pilot the use of 'eco-credits' in Essex and Warwickshire. In 2012, they secured the first-ever offsetting contracts to build environmental costs into land development proposals.</p> <p>SF supported UK NGO Earthwatch to launch a financially-sustainable programme that provides the opportunity for staff from large corporates to mentor and train managers of protected World Heritage Sites.</p>	<p>Continue active involvement with a limited portfolio of Incubator projects.</p> <p>Maintain support to current pilot partners to expand the reach of SF programmes, test new models for the management of natural resources, and develop capacity-building intermediaries to augment skills support to SF partners.</p>

Resources expended:	2012	2011
	\$000	\$000
Grants	1,582	1,352
Direct costs	165	110
Support costs	130	128
Total	1,877	1,590

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2012

Details of all grants awarded in the year ended 31 December 2012 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2012 will be payable in subsequent financial years (see notes 4, 15 and 16).

<u>Programme</u>	<u>Grantee</u>	<u>Total Funding \$000</u>	
Aspire	GroFin MENA <i>GroFin Jordan BDA</i>	780	
	GroFin MENA <i>Phase 1: Financing SMEs</i>	3,500	
	GroFin MENA <i>Phase 1: Business Development Assistance</i>	600	
		4,880	
EMBARQ	World Resources Institute (WRI) <i>EMBARQ – 2012 Funding</i>	1,000	
	Clean Air Initiative – CAI-Asia <i>Global Green Freight Centre</i>	25	
	World Resources Institute (WRI) <i>Lee Schipper Memorial Fund</i>	100	
		1,125	
Breathing Space	Envirofit Carbon Holdings One <i>Scale-up carbon facility</i>	275	
	Envirofit Carbon Holdings One <i>Scale-up pre carbon facility</i>	1,000	
	Envirofit Carbon Holdings One <i>Spin off carbon facility</i>	1,500	
	Gajam Group Limited <i>Scale up of Dharma</i>	1,000	
	Indian Grameen Services <i>BASIX India – MFI Partnership</i>	61	
	Envirofit International Inc <i>Distribution partner finance stoves</i>	250	
	FUNDEIH <i>Honduras stoves pilot</i>	250	
	Friends of Women’s World Banking (FWWB) <i>FWWB Partnership</i>	120	
	Envirofit <i>Scale-up of cookstoves</i>	500	
		4,956	
	Trading UP	The Better Trading Company <i>Core funding & capacity building</i>	265
		The Better Trading Company <i>Scale up: ethical grant</i>	293
Differences in exchange on prior year grants		42	
		600	

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2012

Excelerate			
	Husk Power Systems	(400)	
	<i>Termination of 21577</i>		
	d.light Design	900	
	<i>Expanding distribution and marketing</i>		
	M-Kopa Services LLC	1,600	
	<i>Scaling up core operations</i>		
	M-Kopa Services LLC	291	
	<i>Enhancing distribution</i>		
	Intellectual Capital Advisory	350	
	<i>Scaleable credit facility</i>		
	Jain Sons Finlease Ltd	1,200	
	<i>Scaling up core operations</i>		
	Jain Sons Finlease Ltd	400	
	<i>SME lending in India</i>		
	Husk Power Systems	290	
	<i>Building HSSE & legal capacity</i>		
	Husk Power Systems	400	
	<i>Rural electrification Bihar</i>		
	First Light Accelerator	150	
	<i>Accelerator scale-up</i>		
			5,181
LEAD Africa Fellowship Programme	LEAD International		
	<i>LEAD Africa – Phase 3</i>	597	
	Differences in exchange on prior year grants	(4)	
			593
Incubator	The Environment Bank Limited		
	<i>Ecosystem credits</i>	800	
	Cardano Development BV		
	<i>Pilot climate insurance</i>	250	
	Windward Strategic Ltd		
	<i>Establishing a commodity development fund</i>	295	
	Said Business School		
	<i>Fellowship programme 2012-2013</i>	230	
	Differences in exchange on prior year grants	7	
			1,582
	Total grants awarded in 2012		18,917

Note: 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 by mutual agreement.

Report of the Trustees (continued) for the year ended 31 December 2012

Financial Review

Financial activities

The Statement of Financial Activities is set out on page 21 of the financial statements.

Principle Funding Sources

The Foundation's annual grant programmes are funded by distributions from its endowment fund. Shell Group donated US\$15.1 million in 2012, approved some funding for 2013, and agreed 'in principle' to funding in 2014 in the event that the endowment does not generate sufficient income for the charity to achieve its objectives and maintain impact.

Reserves

The Foundation holds an endowment reserve 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 policy for unrestricted reserves is to maintain reserves at a level such that the cash on hand is sufficient to meet payments due in the next six months and any contingent liabilities. This level will be maintained by liquidating expendable endowment assets as and when required and building flexibility into our expenditure plans for future years to avoid compromising our long term financial objectives. At 31 December 2012 the payments due in the next six months exceeded cash on hand by US\$2 million. The Foundation arranged for a US\$2 million drawdown from the endowment in February 2013.

The reserve policy is reviewed at least annually.

Endowment Investment Policy and Performance

In 2011, following a review of the investment objectives and strategy, the Trustees adopted a new 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 asset allocation of global equities, hedge funds and fixed income funds. In order to mitigate the risk associated with investing globally in multiple currencies, the investment portfolio is hedged back to the Foundation's functional of US Dollars (by the investment manager) through the use of forward foreign exchange contracts.

The investment performance in 2012 has been strong in all asset classes on the back of an improving macro-economic environment in the US and the ongoing support to the financial system in Europe. Accommodative monetary policies in many of the large debtor nations continued to support the financial markets and resulted in very low yields in the bond markets by year end, even in the European peripheral markets. Against the backdrop of these very low yields, discussions about competitive currency devaluations dominated the headlines in the financial press in Q4 of 2012. As a result of Japanese policies to stimulate the export sector, the US dollar (The Foundation's functional currency) strengthened strongly against the Japanese Yen. The foreign currency exposure of the fixed income and hedge fund portfolio is hedged back to US Dollars (by the investment manager) through the use of forward foreign exchange contracts. The foreign currency exposure of the equity portfolio is un-hedged.

The Foundation's investment portfolio overall posted a positive return of 13%, which exceeded the portfolio benchmark return of 12.3%.

The total return on the equity portfolio was 17.3%. The equity portfolio is invested in securities in Europe, North America, the Pacific and Emerging Markets. The approach is passive, wherein the indices designed by Morgan Stanley Capital International (MSCI) are replicated. All regions had investment returns in the mid to high teens and the volatility of the equity markets was much reduced when compared to 2011. As US GDP growth showed an uptick, investors globally were prepared to allocate more funds to the equity asset class, anticipating that bond yield would remain low for a longer period given the continued slow recovery elsewhere in the world.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2012

The fixed income portfolio returned 8.1% in 2012 as a result of a general decrease in interest rates, outperforming its benchmark by 0.9%. The portfolio is invested in sovereign securities as well as credit instruments. The outperformance was generated primarily in the part of the portfolio that invests in credits (i.e. corporate bonds and EMU government bonds) through, for example, overweighting subordinate bonds of certain financials, arbitrage between cash bonds and credit default swaps, and overweighting AAA covered bonds and asset backed securities versus government bonds.

The hedge fund portfolio returned 5.5%, outperforming its benchmark by 1.4%. The portfolio outperformed the benchmark primarily as a result of manager selection.

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

Independent Auditors

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.

PricewaterhouseCoopers LLP accordingly shall continue as Independent Auditors of Shell Foundation pursuant to section 386(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.

By order of the Board



Mr Malcolm Brinded, CBE
Trustee

13 June 2013

Independent Auditors' Report to the Members of the Shell Foundation

We have audited the financial statements of Shell Foundation for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, 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 they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure and cash flows, 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

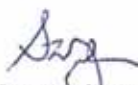
Shell Foundation

Independent Auditors' Report to the Members of the Shell Foundation (continued)

Matters on which we are required to report by exception

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. or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime.



Steve Johnson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 June 2013

Statement of financial activities for the year ended 31 December 2012

Company Registered Number: 4007273

	Note	Unrestricted Funds 2012 \$000	Restricted Funds 2012 \$000	Endowment Funds 2012 \$000	Total Funds 2012 \$000	Total Funds 2011 \$000
Incoming Resources						
<i>Incoming resources from generated funds</i>						
Voluntary income						
- Donations	2	6,000	10,397	-	16,397	7,689
Investment Income	3	-	-	5,284	5,284	5,232
Total Incoming Resources		6,000	10,397	5,284	21,681	12,921
Resources Expended						
<i>Cost of generating funds:</i>						
Investment management costs		-	-	(394)	(394)	(161)
Total Cost of Generating Funds		-	-	(394)	(394)	(161)
<i>Charitable Activities</i>						
- Aspire		(757)	(4,880)	-	(5,637)	(6,476)
- EMBARQ		(1,716)	-	-	(1,716)	(1,862)
- Trading UP		(1,125)	-	-	(1,125)	(2,174)
- Breathing Space		(2,285)	(3,862)	-	(6,147)	(5,605)
- Excelerate		(5,645)	(400)	-	(6,045)	(3,313)
- LEAD Africa Fellowship		(170)	(740)	-	(910)	(1,077)
- Incubator		(1,877)	-	-	(1,877)	(1,590)
Total Charitable Activities	5	(13,575)	(9,882)	-	(23,457)	(22,097)
Governance costs	7	(574)	-	-	(574)	(477)
Total charitable expenditure		(14,149)	(9,882)	-	(24,031)	(22,574)
Total Resources Expended		(14,149)	(9,882)	(394)	(24,425)	(22,735)
Net (outgoing)/incoming resources before transfers		(8,149)	515	4,890	(2,744)	(9,814)
Transfers		-	-	-	-	-
Net (outgoing)/incoming resources before other recognised gains and losses		(8,149)	515	4,890	(2,744)	(9,814)
Other recognised gains and losses						
Realised gains on the revaluation and disposal of investment assets		-	-	2,521	2,521	9,618
Unrealised gains/(losses) on the revaluation and disposal of Investment assets		-	-	42,984	42,984	(25,173)
Net Movement in Funds		(8,149)	515	50,395	42,761	(25,369)
Fund balances brought forward at 1 January		22,957	(1,135)	383,442	405,264	430,633
Fund balances carried forward at 31 December		14,808	(620)	433,837	448,025	405,264

All incoming resources, resources expended and resulting net movements in funds are derived from continuing activities. There are no recognised gains or losses other than those outlined in the Statement of Financial Activities. There is no material difference between the profit (or loss) on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

The accompanying notes form part of these financial statements.

Income and expenditure account for the year ended 31 December 2012

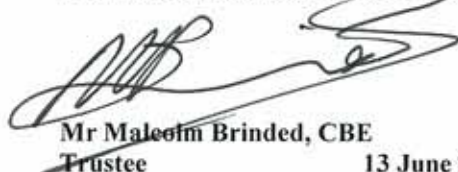
	2012 \$000	2011 \$000
Income		
Voluntary Income	16,397	7,689
Investment Income (unrestricted)	-	(93)
Total realised income	16,397	7,596
Expenditure		
Charitable activities	(23,457)	(22,097)
Governance costs	(574)	(477)
Total expenditure	(24,031)	(22,574)
Net (deficit)/surplus of income over expenditure for the year	(7,634)	(14,978)

Balance sheet as at 31 December 2012

	Note	2012 \$000	2011 \$000
Fixed Assets			
Investments	11	439,653	388,863
Programme related investments	12	8,915	5,660
		448,568	394,523
Current Assets			
Debtors	13	3,000	-
Cash at bank and in hand	14	9,086	27,535
Short-term deposits	14	5,000	-
		17,086	27,535
Creditors: amounts falling due within one year	15	(16,679)	(15,134)
Net Current Assets	18	407	12,401
Total Assets less Current Liabilities		448,975	406,924
Creditors: amounts falling due after more than one year	16	(950)	(1,660)
Net Assets		448,025	405,264
The funds of the charity:			
Endowment Funds	17	433,837	383,442
Restricted income Funds	17	(620)	(1,135)
Unrestricted income Funds	17	14,808	22,957
Total Charity Funds		448,025	405,264

The accompanying notes form part of these financial statements.

The financial statements on pages 21 to 33 were approved by the trustees and signed on their behalf by:


Mr Malcolm Brinded, CBE
 Trustee 13 June 2013

Shell Foundation

Cash flow statement for the year ended 31 December 2012

	Note	2012		2011	
		\$000	\$000	\$000	\$000
Net cash inflow from operating activities	19		(9,799)		(2,946)
Returns on investments and servicing of finance					
Interest Income (unrestricted & restricted)		-		31	
Investment Income (unrestricted & restricted)		-		(124)	
Investment income received endowment funds		5,221		5,042	
Investment income attributable to endowment funds		(5,221)		(5,042)	
Total returns on investments and servicing of finance			-		(93)
Capital expenditure and financial investment					
<u>Investing Activities</u>	11				
Purchase of investments		(33,075)		(311,600)	
Purchase of programme related investments		(3,630)		(2,640)	
Sale of investments		25,186		309,125	
Sale of programme related investments		375		574	
(Increase) in investment cash		(346)		(1,171)	
<u>Hedging Activities</u>	11				
Payments on forward foreign exchange contracts		(5,249)		(1,544)	
Proceeds on forward foreign exchange contracts		8,813		2,941	
Gain/(loss) on foreign exchange		(531)		(711)	
Cash flow attributable to endowment investments		4,856		1,789	
Total capital expenditure and financial investment			(3,601)		(3,237)
Financing					
Investment income retained within endowment funds		5,221		5,042	
Cash flow attributable to endowment investments		(4,856)		(1,789)	
Distribution from endowment to unrestricted cash		-		(4,700)	
Cash expended on endowment fund fees		(414)		(59)	
Total Financing			(49)		(1,506)
(Decrease)/Increase in cash in the year			(13,449)		(7,782)

Reconciliation of net funds for the year ended 31 December 2012

(Decrease)/Increase in cash in the year	(13,449)	(7,782)
Analysis of change in cash		
Cash balance at 1 January	27,535	35,317
Cash balance at 31 December	14,086	27,535
(Decrease)/Increase in cash in the year	(13,449)	(7,782)

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2012

1 Accounting Policies

Basis of Preparation

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities', published in March 2005, and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The accounting policies have been applied consistently, other than where new policies have been adopted in accordance with the Charities Act 2011.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investments. The programme related investment is not 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 US 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 (US\$) was GBP/US\$ 0.6296.

Fund Accounting

Funds held by the charity are either:

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

Incoming Resources

Donations and investment income are included in the Statement of Financial Activities when the charity is legally entitled to the income. Donated services, if applicable, are included in income at a valuation, which is an estimation of the value to the charity. During 2012, donated services were received as shown in note 2.

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.

Resources Expended

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

Notes to the financial statements (continued) for the year ended 31 December 2012

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 Letters of Understanding (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 7).

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 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 transaction date exchange rate where known, or otherwise at the average rate for the period. Non-US Dollar items primarily relate to UK and Netherlands operating costs, which are incurred in pounds sterling ('GBP') and Euros, 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.

Programme related 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 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.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2012

2 Donations

	2012 \$000	2011 \$000
Cash		
<u>Unrestricted</u>		
Shell Trading International Ltd	6,000	6,000
<u>Restricted</u>		
Shell Trading International Ltd	9,100	-
The Shell Centenary Scholarship Fund	755	1,269
OPEC Fund for International Development	125	100
Onderling Medisch Steunfonds	-	273
DFID	187	-
JP Morgan	230	-
Donated services		
Mayer Brown LLP	-	47
	16,397	7,689

Shell Trading International Ltd donated US\$9.1m of restricted funding for GroFin MENA. This includes US\$3m to be received in 2013 as disclosed in Note 13.

Donated services in 2011 was made up of pro bono consultancy services provided in relation to the Exceletrate programme.

3 Investment income

	2012 \$000	2011 \$000
Interest on cash deposits	-	31
Dividends	5,284	5,325
Income from programme related investment	-	(124)
	5,284	5,232

In 2010 the distributions received from the programme related investment were treated as investment income, rather than capital repayments (share redemptions). This was rectified in the prior year.

4 Grants expenditure

	2012 \$000	2011 \$000
Grants awarded brought forward	(12,154)	(6,506)
Payments	17,309	12,097
Grants awarded within 1 year	12,812	10,494
Grants awarded after 1 year	950	1,660
Grants awarded in the year	18,917	17,745

A full list of grants awarded in the year ended 31 December 2012 is included in the Trustees' Report (pages 15 to 16).

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2012

5 Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2012 \$000	2011 \$000
Aspire	(4,880)	(366)	(391)	(5,637)	(6,476)
EMBARQ	(1,125)	(472)	(119)	(1,716)	(1,862)
Trading UP	(600)	(447)	(78)	(1,125)	(2,174)
Breathing Space	(4,956)	(765)	(426)	(6,147)	(5,605)
Excelerate	(5,181)	(445)	(419)	(6,045)	(3,313)
LEAD Africa Fellowship	(593)	(254)	(63)	(910)	(1,077)
Incubator	(1,582)	(165)	(130)	(1,877)	(1,590)
Total for 2012	(18,917)	(2,914)	(1,626)	(23,457)	(22,097)
Total for 2011	(17,745)	(2,583)	(1,769)		

Grants are listed in the Trustees' Report accompanying these Financial Statements.

Direct costs include goods and services invoiced to the charity together with directly attributable manpower, and are allocated to the activity they relate to. Other support costs, that cannot be directly linked to an activity, are apportioned across the programme themes on the basis of the value of grant and direct cost expenditure. The activities making up these costs are shown in note 6 below.

6 Direct and Support Costs

	Direct costs \$000	Support costs \$000	2012 \$000	2011 \$000
Manpower costs (see note 9)	(1,721)	(1,118)	(2,839)	(2,890)
External services	(422)	(64)	(486)	(370)
Communications	(165)	(284)	(449)	(411)
Travel	(568)	34	(534)	(480)
Training	(5)	(10)	(15)	(82)
Sundry	(15)	(219)	(234)	(95)
Exchange gain/loss	(18)	35	17	(24)
Total	(2,914)	(1,626)	(4,540)	(4,352)

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 2012, US\$23,230 was payable to Shell Group companies on normal business terms (2011: US\$13,689).

7 Governance Costs

	2012 \$000	2011 \$000
Manpower costs (see note 9)	(468)	(388)
Audit fees	(93)	(69)
Legal fees	(1)	(8)
Trustee expenses	(12)	(12)
Total	(574)	(477)

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 Financial Statements.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2012

8 Trustee information

No trustee received any remuneration from the charity during the year. The Foundation directly incurred or reimbursed travel expenses in relation to two trustees totalling US\$12,508 (2011: US\$11,883 in respect of two trustees).

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

9 Employee information

The Foundation has no direct employees. Some employees of Shell Group companies work on the Foundation's activities. The monthly average staff employed by Shell Group companies to work for the Foundation during the year was 12.4 (2011: 12.2).

Manpower expenditure included in Direct and Support costs (note 6) and Governance costs (note 7) comprises charges at cost in respect of the services of these Shell Group employees, including salaries, taxes and office overhead costs. The salary and taxes paid by Shell Group companies in relation to these employees are as follows:

	2012 \$000	2011 \$000
Wages and salaries	(1,901)	(1,907)
Social security	(267)	(227)
Other pension costs	(420)	(360)
	(2,588)	(2,494)

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

GBP	2012	2011
60,000 to 70,000	3	1
70,000 to 80,000	1	1
80,000 to 90,000	1	1
90,000 to 100,000	1	-
100,000 to 110,000	1	3
120,000 to 130,000	1	1
130,000 to 140,000	1	1
190,000 to 200,000	1	1
	10	9

Shell Group companies made contributions during the year to a defined benefit pension scheme of GBP 225,578 in relation to these ten employees (2011: GBP 171,436 in relation to nine employees).

10 Taxation

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

Notes to the financial statements (continued) for the year ended 31 December 2012

11 Investments

	2012	2011
	\$000	\$000
Market value at 1 January	388,863	401,176
Purchases	38,359	311,883
Sales	(25,186)	(306,293)
Realised gains	2,521	9,618
Unrealised gains/losses	42,984	(25,173)
Movement of investment cash	(7,888)	(2,348)
Market value at 31 December	439,653	388,863

The year end value is analysed as:

	2012	2011
	\$000	\$000
Fixed income investments – UK	20,293	16,845
Fixed income investments – overseas	134,242	113,051
Equity investments – UK	73,620	22,541
Equity investments – overseas	169,487	191,903
Hedge funds – overseas	41,946	39,646
Forward foreign currency contracts	(1,864)	3,384
Other assets	385	325
Other liabilities	-	(30)
Investment cash	1,517	1,171
Cash invested in institutional cash funds	27	27
Market value at 31 December	439,653	388,863

Cash invested in institutional cash funds represents cash invested in Fidelity Institutional Cash Fund plc. The trustees believe that the carrying value of the investments is supported by their underlying net assets.

The investment policy 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 and fixed income funds. The transition to this new policy, under a new investment manager, happened during April 2011.

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 59% of bonds and 0% of hedge fund investments were non US Dollar.

12 Programme related investments

	2012	2011
	\$000	\$000
GroFin Africa Fund		
Cost brought forward at 1 January	5,660	3,594
Purchases	3,630	2,640
Sales	(375)	(450)
Reclass of prior year sales (note 3)	-	(124)
Cost carried forward at 31 December	8,915	5,660

The value of programme related investments at the year end is shown at cost. The investment in the GroFin Africa Fund (GAF) represents 8,915 Class A (US\$1,000) shares in the fund, which meets the objectives of the Aspire programme. The trustees believe that the carrying value of the investments is supported by their underlying net assets.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2012

13 Debtors

	2012 \$000	2011 \$000
Restricted donations – Shell Trading International Ltd	3,000	-
	3,000	-

Shell Trading International Ltd donated US\$9.1m of restricted funding for GroFin MENA as disclosed in Note 2. This includes US\$3m to be received in 2013.

14 Cash at bank and in hand

	2012 \$000	2011 \$000
Cash at Bank	9,086	27,535
Cash held in short-term deposit	5,000	-
Total cash at bank and in hand	14,086	27,535

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

15 Creditors: amounts falling due within one year

	2012 \$000	2011 \$000
Grants Payable	12,812	10,494
Trade Creditors – Shell International Limited	1,003	570
Accruals – Shell International Limited	2,864	4,070
	16,679	15,134

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.

16 Creditors: amounts falling due after more than one year

	2012 \$000	2011 \$000
Total Grants payable	13,762	12,154
Less amounts falling due within one year (note 15)	(12,812)	(10,494)
	950	1,660
Represented by:		
Grants payable in greater than one year but less than two years	950	1,340
Grants payable in greater than two years but less than five years	-	320
	950	1,660

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2012

17 Funds

	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	383,442	5,284	(394)	45,505	433,837
Unrestricted Funds	22,957	6,000	(14,149)	-	14,808
Restricted Funds	(1,135)	10,397	(9,882)	-	(620)
	405,264	21,681	(24,425)	45,505	448,025

At the year end the restricted funds were in deficit due to timing differences between recognition of income and expenditure commitments.

18 Analysis of net assets between funds

	Note	Unrestricted Funds 2012 \$000	Restricted Funds 2012 \$000	Endowment Funds 2012 \$000	Shell Foundation 2012 \$000	Shell Foundation 2011 \$000
Fixed Assets						
Investments (at market value)	11	5,816	-	433,837	439,653	388,863
Programme related investments (at cost)	12	8,915	-	-	8,915	5,660
		14,731	-	433,837	448,568	394,523
Current Assets						
Debtors	13	-	3,000	-	3,000	-
Cash at bank and in hand	14	10,362	3,724	-	14,086	27,535
Creditors: amounts falling due within one year	15	(9,335)	(7,344)	-	(16,679)	(15,134)
Net Current Assets/(Liabilities)		1,027	(620)	-	407	12,401
Total Assets less Current Liabilities		15,758	(620)	433,837	448,975	406,924
Creditors: amounts falling due after more than one year	16	(950)	-	-	(950)	(1,660)
Net Assets		14,808	(620)	433,837	448,025	405,264

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

	2012 \$000	2011 \$000
Continuing activities		
Net incoming / (outgoing) resources – unrestricted & restricted funds	(7,634)	(10,278)
Investment income – unrestricted & restricted funds	-	124
Increase in net debtors – unrestricted & restricted funds	(3,000)	-
Increase in net creditors – unrestricted & restricted funds	835	7,239
Interest income on bank accounts	-	(31)
	(9,799)	(2,946)

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2012

20 Capital commitments

The Foundation had no capital commitments as at 31 December 2012 (2011: US\$ nil).

21 Capital

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

22 Related party transactions

The sole member of the Foundation is The Shell Petroleum Company Limited (SPCo). The ultimate parent company of SPCo is Royal Dutch Shell plc. 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 incurred investment management costs of US\$215,660 (2011: US\$109,338) on normal business terms with SAMCo.

During the year the Foundation made payments of US\$1,419,078 (2011: US\$265,281) on normal business terms with Shell International BV and US\$6,307,199 (2011: US\$2,752,766) on normal business terms with Shell International Limited.

Of the Foundation's current or former trustees listed on page 3, the following are or were directors or officers of certain Shell Group companies: Mr Peter Voser, Mr Malcolm Brinded and Mr Ben van Beurden. The Shell Group has other charitable affiliates that are not formally related to the Foundation, such as The Shell Centenary Scholarship Fund in the UK and the Shell Oil Foundation in the USA. The Shell Centenary Scholarship Fund made donations to the Foundation during 2009, 2010, 2011 and 2012.

Donations received included the following as disclosed in Note 2:

Entity Name	2012 \$000	2011 \$000
Shell Trading International Ltd	15,100	6,000
The Shell Centenary Scholarship Fund	755	1,269

Donations from The Shell Centenary Scholarship Fund in 2012 included a grant of US\$578,079 awarded in 2011 but received and recognised in 2012.

As part of the Shell Foundation's approach as an engaged donor, Shell Foundation staff members often participate in the governance of strategic partners. The balance outstanding at year end for grants made to organisations where the Shell Foundation have a Board member or other governance role are as follows:

Entity Name	2012 \$000	2011 \$000
Envirofit Carbon Holdings One	1,225	200
Cotton Connect Limited	364	794
Grofin Africa Fund	-	-
Jain Sons Finlease Ltd	1,300	-
First Light Ventures	380	680
M-Kopa Services LLC	1,386	642
The United Nations Foundation	255	600
Envirofit International Inc	150	-
Cotton Connect Hong Kong Ltd	500	850
World Resource Institute	-	-
Gajam Group Limited	750	275

Shell Foundation

23 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 US\$ 1.5m to Calvert Social Investment Foundation Inc to cover a US\$ 3m loan facility to Envirofit International Inc. As of April 2013, Envirofit International Inc had drawdown US\$ 2.5m of this loan.