



**SHELL
FOUNDATION**

Shell Foundation

(a company limited by guarantee)

Report of the Trustees and financial statements for the year ended 31 December 2013

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	
Mr Ben van Beurden		
Mr Hugh Mitchell		Appointed 1 May 2013
Lord Mark Malloch-Brown	Nominated trustee	
Dr William Kalema	Nominated trustee	
Prof Louise Fresco	Nominated trustee	Resigned 1 March 2014
Mr Peter Voser		Resigned 30 July 2013
Mr Maxime Verhagen	Nominated trustee	Appointed 11 June 2014

Principal Officers

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

Registered Office

Shell Centre
London
SE1 7NA

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Bankers

Lloyds 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 2013

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 2013.

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*, registration number 823793059). The Foundation is also registered in the United States of America under section 501(c)(4) of the Internal Revenue Code, identification number 98 0368454.

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.
- The team's performance against pre-determined annual targets
- 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 2013

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 (including the Strategic 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.

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\$259m were received from Shell Group companies, of which US\$256m 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 2013 totalling US\$189m, and will receive further unrestricted and restricted donations in 2014.

Report of the Trustees (continued) for the year ended 31 December 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 Commitment (LOC) 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 2013

Objectives and Activities for the Public Benefit

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

1. The protection and preservation of the environment and public health by means of education and research into the provision and use of energy in ways that reduce or eliminate harmful emissions. *The Foundation has pursued this objective via grants made through its Breathing Space, EMBARQ, and Exceleerate programmes.*
2. The advancement of education of young persons and adults. *This objective was not the focus of a specific programme in 2013.*
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 2013.*
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 complied with the guidance contained in the Charity Commission's general guidance on public benefit in section 4 of the Charities Act 2011 when reviewing the Foundation's aims and objectives and when considering grants to be awarded. The Foundation's Articles permit it to make grants to further these objectives anywhere in the world, and its policy is to act as a truly international grant-making Foundation. 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.

The activities carried out to meet these objectives are summarised in the Strategic Report below.

Strategic Report

During 2013, Shell Foundation refreshed its strategy and vision for activities up to 2025, reflecting an increasing focus on "Access to Energy" and "Sustainable Mobility" given our strong relative experience in these areas. For reporting purposes, as of next year we will also rename our operational programmes according to the global challenges they seek to address – and will no longer use the branded programme names (i.e. Aspire, Breathing Space, EMBARQ and Exceleerate) that we have used in the past.

Achievements and Performance

The achievements and performance of the charity are detailed on the following pages.

Report of the Trustees (continued) for the year ended 31 December 2013



BUILDING BETTER
BUSINESSES



Small and Medium-sized Enterprises (SMEs) in developing countries struggle to obtain finance from banks as they lack the collateral, track record or skills to access money from risk-averse local banks. 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 continuation of GroFin’s SME funds in Africa.	SF was actively involved with all investors in GroFin’s Africa Fund as part of ongoing governance.	GroFin’s Africa SME fund invested US\$91.7m to support 300+ SMEs achieve growth objectives and as a result created and maintained 15,636 jobs.	SF and GroFin will create a new innovative business model to attract long term funding to support & sustain SME funds.
Support GroFin with the new SME fund in the Middle East called ‘Nomou’ - help them build capacity, raise further funds and deploy its first SME investments in 2013.	In collaboration with GroFin, SF actively engaged with investors e.g. JEDCO, Jordan to secure funding to establish Nomou in the Middle East.	SF received restricted donations from a number of organisations including UKAid and JP Morgan Chase Foundation for Nomou.	SF will continue to support fundraising to scale up Nomou’s activities in Jordan, Oman, Iraq and Egypt.
Engage in advocacy platforms to show the potential for Growth Finance to deliver financial and developmental returns; and attract support from policy makers and businesses to support SME growth and encourage investment.	SF participated in a range of activities to support the Growth Finance sector, including leading a workshop in the Middle East and supporting ANDE – a global network of organisations assisting entrepreneurs in emerging markets.	SF’s SME workshop in the Middle East to address the financing challenges faced by SMEs in the region was well attended, with 50+ senior level leaders and key decision-makers from national governments and private sector. ANDE’s network has grown and now comprises of 180+ members supporting SMEs in 150+ countries.	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:	2013	2012
	\$000	\$000
Grants	16,805	4,880
Direct costs	363	366
Support costs	989	391
Total	18,157	5,637

Report of the Trustees (continued)
for the year ended 31 December 2013



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.

SF co-founded **EMBARQ** in 2002 as a specialist network comprised of globally recognised sustainable mobility experts, to catalyse the implementation of sustainable transport solutions.

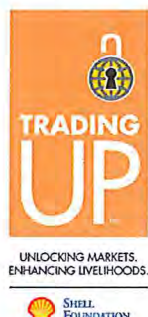
Between 2012-2050 it is estimated the freight sector will increase by 350-550% creating a disproportionate environmental impact in emerging markets. In Asia alone, only 9% of vehicles are trucks, but these contribute to 54% of transport CO₂ emissions.

In 2013 SF co-founded **Smart Freight Centre** as a new intermediary in the freight sector to reduce CO₂ emissions and improve fuel efficiency in emerging markets.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Continue to help EMBARQ scale up their work in megacities and increase number of people served, social/environmental impact & geographic footprint.	SF provided additional resources to support organisational growth of EMBARQ, and leveraged academic, transport and local government networks in China to increase EMBARQ’s engagement in cities.	Served 1.8 billion people and saved 2.5m tonnes of CO ₂ . Since its founding in 2002, EMBARQ’s Bus Rapid Transit (BRT) concept has reached tipping point from 45 cities to 166 cities using BRT and similar systems. Also in Q4 EMBARQ signed a Memorandum of Understanding with Beijing.	Increase number of cities EMBARQ serves by scaling up their China programme, and developing a low cost model that increases the number of cities they impact globally.
SF to conduct due diligence and test viability of new partnerships to reduce emissions from global freight.	SF identified an entrepreneur and convened stakeholder groups in the freight sector to understand their challenges and design a new business model to address environmental impact of the freight sector in emerging markets.	SF co-developed a new model, established an organisation called Smart Freight Centre (SFC) and finalised the business strategy.	Build SFC’s organisational capacity, engage key stakeholders and establish a new framework in the global freight sector to reduce emissions and improve fuel efficiency at scale.
Assess opportunities for SF to increase their impact in sustainable mobility through developing new enterprise based partnerships.	SF established key focus areas to increase impact, including incubating new enterprises in auto rickshaw services. SF scoped and designed an auto rickshaw business challenge to identify business models that deliver large-scale improvements in quality of service, access, safety, environmental impact and livelihoods.	SF’s business challenge attracted a large number of applicants and eight finalists have been selected to present their business models to an expert panel.	Pilot innovative business models that continue to increase mobility of people in cities, reduce environmental impact of the freight sector and incubate new sustainable mobility enterprises.

Resources expended:	2013	2012
	\$000	\$000
Grants	2,552	1,125
Direct costs	172	472
Support costs	157	119
Total	2,881	1,716

Report of the Trustees (continued) for the year ended 31 December 2013



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 played an active role in establishing CC's five year growth strategy and in Q4 supported their appointment of a new CEO.	CC is now working with 20 international brands, with new clients including Kering who house luxury brands such as Gucci and Saint Laurent, and UK retailer Primark. CC are working with over 100,000 farmers from India & China, and have improved the livelihoods of 400,000 farmers and their families.	SF will provide CC with governance support in line with its plan to achieve 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's transition from grant funding to becoming a financially viable organisation that creates social and environmental impact for smallholder farmers in Africa.	TBTC has enhanced 35,000 livelihoods in Africa, supporting farmers producing rooibos tea, tea tree oil and chillies. In 2013 they recorded a profit for the first time.	TBTC have achieved financial viability and will continue to support farmers and increase their social and environmental impact.

Resources expended:	2013 \$000	2012 \$000
Grants	290	600
Direct costs	282	447
Support costs	33	78
Total	605	1,125

Report of the Trustees (continued) for the year ended 31 December 2013



SMOKE-FREE HOMES.
HEALTHY FAMILIES.



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 took an active role in building the cookstove market and co-founded two market enabling organisations: **Global Alliance for Clean Cookstoves**, that aims to deploy market-based approaches to enable 100 million homes to adopt clean and efficient stoves by 2020, and **Dharma** a social enterprise that makes socially beneficial products, including clean cookstoves available to low income communities in rural India.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
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.	SF secured grant funding from OPEC Fund for International Development (OFID) to support Envirofit’s growth in Latin America and Africa. SF also co-developed large business to business relationships to help Envirofit enter into new markets and in Q3 co-led a financial review with ShoreBank International ahead of fundraising in 2014.	Envirofit have now sold over 700,000 clean cookstoves across 45 countries and improved 5.5m livelihoods. In 2013 they launched a new stove for institutional use, and following the launch of their carbon financing facility, sold their first carbon credits to the Swedish Energy Agency.	Support Envirofit to attract investment and expand carbon credit programme to achieve financial viability by 2015, and accelerate the development of low cost cookstoves to improve affordability and impact.
Support Dharma to significantly improve access to social impact products in India – by improving its training facilities and product offering to achieve financial viability by 2017.	SF provided direct business support (incl. leveraging specialist financial expertise from Shell) to improve operating systems and achieve cost efficiencies as they go to scale.	Dharma’s network is now operating across five states in India with 5,300+ rural retail points, providing a range of affordable and accessible social impact products to low income consumers – with sales increasing by 85% from the previous year.	Continue to help Dharma with capacity building, achieving operational excellence and attracting new partnerships to scale up the business model across India – as well as increase their village network to 18,000 entrepreneurs in 2014.
Continue to build market infrastructure to overcome major barriers to scale to improve access to low income consumers and livelihoods impacted.	SF supported a research initiative to collect experiences of organisations tackling last mile distribution challenges – and shared the learnings as part of a published industry-wide report.	SF engaged with stakeholders in India and Africa and established consensus around the need for coordinated action to address last mile distribution.	SF will establish and pilot business models to increase current efforts around last mile distribution at a global scale.
Resources expended:		2013	2012
		\$000	\$000
Grants		6,618	4,956
Direct costs		594	765
Support costs		415	426
Total		7,627	6,147

Report of the Trustees (continued)
for the year ended 31 December 2013



Over 1.3 billion people across the developing world lack access to affordable and reliable energy services. There are significant gaps between demand for modern energy services and the supply of appropriate technology and enterprise to deliver these – especially in rural areas not connected to the energy grid. This negatively impacts upon all aspects of peoples’ lives and is one of the most important constraints on their ability to escape poverty and contribute to the economic development of their countries.

Excelerate aims to support small and growing enterprises and financial intermediaries to increase the availability of modern energy services to the poor in ways that are financially viable and scaleable, with a focus on India and Africa. 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 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.	D.light used a working capital pool co-developed by SF and funded with support from OFID to impact over five million lives with their affordable solar lantern.	Continue to support partners to attract talent, leverage investment, foster demand & implement systems/processes in order to scale their rural energy businesses across India and East Africa in 2014.
	SF developed partnership with Department for International Development (DFID) and received a restricted donation to co-fund and support the development of new pro energy products and business models.	M-KOPA, a provider of solar home systems on a pay as you go basis to low income consumers in Kenya, has grown to 50,000 customers & in 2013 attracted investment from the Bill and Melinda Gates Foundation and Commercial Bank of Africa for expansion.	Provide investment into R&D capacity of SF partners to commercialise a new range of affordable energy products and business models.
Catalyse the growth of the SME energy sector by creating intermediaries to provide business skills and access to finance for energy entrepreneurs.	SF partnered with ResponsAbility a reputed impact investor – and validated the need for a fund to help energy SMEs access working capital to manufacture, import, and distribute their products.	Based on learning from SF’s work with D.Light - SF co-developed a working capital fund with ResponsAbility to help energy SMEs overcome market barriers preventing them from achieving scale.	SF will help ResponsAbility create a US\$30m energy working capital fund that aims to improve over 50 million lives within 5 years.
	SF developed systems and processes to increase organisational capacity and scale up of Intellegrow – a provider of debt finance to small businesses in India.	IntelleGrow disbursed US\$10m across 32 loans to social enterprises in India.	SF will support activities to achieve scale up and growth of its intermediaries.

Resources expended:

	2013 \$000	2012 \$000
Grants	5,320	5,181
Direct costs	739	445
Support costs	349	419
Total	6,408	6,045

Report of the Trustees (continued) for the year ended 31 December 2013

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.

However, due to lack of progress, by mutual consent with LEAD, we closed down this programme in Q4 2013.

Resources expended:	2013	2012
	\$000	\$000
Grants	-	593
Direct costs	156	254
Support costs	9	63
Total	165	910

Report of the Trustees (continued) for the year ended 31 December 2013

Incubator The **Incubator** programme aims to test a diverse range of innovative projects to identify which, if any, offer the potential to be both sustainable and scaleable solutions that will increase access to energy and improve sustainable mobility in emerging countries. 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.	In 2013 SF co-developed Factor(E) Ventures with Colorado State University as an incubation partner to provide a future pipeline of innovative partners for SF. Factor(E) will drive innovation and growth of modern energy solutions for emerging markets by validating new models that can create large scale impact.	Factor(E) are supporting a number of pioneering early stage entrepreneurs with a blend of risk capital and technical resources to test and validate their ideas within 18-24 months.	Increase resources to expand portfolio of Incubator projects.
	SF partnered with Cardano Development to address the gap between registering and executing carbon programmes – to generate income from related carbon credits to support energy SMEs delivering social and environmental impact.	SF co-created BIX Fund as an independent carbon pre-finance facility to leverage investment through facilitating carbon trading.	Continue active involvement with a limited portfolio of Incubator projects.
	SF continued to support Emergence Bioenergy testing small-scale stirling engine technology – to establish the potential of it delivering low cost and small scale reliable power generation.	Emergence Bioenergy have successfully deployed a prototype of their first small-scale stirling engine in Bangladesh and will assess the viability of generating combined heat and power.	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.

Resources expended:	2013	2012
	\$000	\$000
Grants	2,790	1,582
Direct costs	132	165
Support costs	168	130
Total	3,090	1,877

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2013

Details of all grants awarded in the year ended 31 December 2013 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2013 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>Phase 2: Capacity building in 2013</i>	4,000	
	GroFin MENA <i>Saudi Arabia – Business development assistance</i>	230	
	GroFin MENA <i>Implementation of NOMOU Jordan</i>	1,875	
	GroFin MENA <i>Establishment and implementation of NOMOU Egypt</i>	4,800	
	GroFin MENA <i>GroFin MENA – Phase 2 Financing SMEs</i>	3,500	
	GroFin MENA <i>Phase 2 – Business development assistance</i>	2,400	
		16,805	
	EMBARQ	CTS EMBARQ Mexico <i>Mexico transport demand management consultancy</i>	75
		Stichting Smart Freight Centre <i>Smart Freight Centre – 2013</i>	292
Green Freight Europe <i>Methodology and platform development</i>		95	
Stichting Smart Freight Centre <i>Smart Freight incentive and methodology – Asia</i>		70	
Stichting Smart Freight Centre <i>Smart Freight Centre – 2014</i>		1,008	
World Resources Institute <i>EMBARQ 2013 funding</i>		1,000	
Unrealised difference in exchange on non-USD grants		12	
		2,552	
Breathing Space		Gajam Group Ltd <i>Dharma – Financial modelling</i>	27
	Hystra <i>Route to market workshop</i>	41	
	Ved Vignan Maha Vidya Peeth <i>Indoor air pollution – Youth Leadership training partnership</i>	1	
	Envirofit International Inc <i>2013-2014 funding- convertible grant (Note 12)</i>	2,000	
	Stichting Cardano Development <i>Scale-up of the carbon pre-finance facility – phase 1</i>	625	
	Fundeih Honduras <i>Partner capacity building</i>	50	
	Stichting Cardano Development <i>Scale-up of the carbon pre-finance facility – phase 2</i>	375	
	Gajam Group Ltd <i>Dharma scale-up 2013-2015</i>	2,000	
	Envirofit International Inc <i>OFID cookstoves initiative in Africa and Central America</i>	1,000	
	BIX Fund Management BV <i>Building capacity for carbon facility manager</i>	500	
	Friends of Women's World Banking <i>Termination</i>	-10	
	Unrealised difference in exchange on non-USD grants	9	
		6,618	

Report of the Trustees (continued) for the year ended 31 December 2013

Trading UP	The Better Trading Company <i>2013 core funding and capacity building</i>	290		
	CottonConnect Limited <i>Termination</i>	-364		
	AV CottonConnect (South Asia) Pvt Ltd <i>Termination</i>	-325		
	CottonConnect Hong Kong Ltd <i>Termination</i>	-500		
	CottonConnect Limited <i>Operational support</i>	739		
	CottonConnect Limited <i>Business development</i>	450		
			<hr/>	290
	Excelerate	D.Light Design <i>Building innovation capacity</i>	2,200	
		D.light Design <i>Developing new energy applications and business models</i>	3,870	
D.light Design <i>Termination</i>		-1,200		
First Light Accelerator <i>Structuring the First Light Accelerator scale-up facility</i>		450		
			<hr/>	5,320
Incubator		Deloitte Touche Tohmatsu India Pvt Ltd <i>Building markets study</i>	232	
	The Environment Bank Ltd <i>Market for Ecosystems credits 2013</i>	275		
	Skoll Centre for Social Entrepreneurship <i>SBS Fellowship programme – 2013-2014</i>	303		
	Factor E Ventures <i>Shell Foundation & CSU joint venture</i>	1,250		
	Windward Strategic Ltd <i>Pilot commodity branding</i>	295		
	Redavia GmbH <i>Rental solar farms and plug and play energy solutions</i>	272		
	Intellectap <i>Sankalp forum Africa</i>	160		
	Unrealised difference in exchange on non-USD grants	3		
			<hr/>	2,790
	Total grants awarded in 2013			34,375

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 2013

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 made unrestricted donations of US\$6m in 2013, approved a similar donation for 2014, and agreed 'in principle' to funding in 2015 and 2016 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 2013 the payments due in the next six months exceeded cash on hand by US\$3.5m. The Foundation drew down US\$16.5m from the endowment during the year. 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 currency of US Dollars (by the investment manager) through the use of forward foreign exchange contracts.

2013 turned out to be a positive year for the portfolio of Shell Foundation. The slight negative performance of the fixed-income portfolio was more than compensated for by double-digit returns for the listed equity component. Overall, total portfolio performance came in at 11.5%. A pick-up in economic growth in developed economies and much-improved sentiment concerning the Euro area were behind 2013's good returns. Sentiment in emerging markets and the US government bond market was less benign. Overall, the year could be characterised as one with relatively low volatility.

The Foundation's investment portfolio overall posted a positive return of 11.5%, which was more or less in line with a benchmark return of 11.4%. The total return on the equity portfolio was 20.4%. 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 developed market regions had very strong double-digit investment returns. Emerging market returns, however, suffered most from the perceived withdrawal of quantitative easing in the US and underperformed compared to the rest of the world quite significantly.

The fixed income portfolio showed a slight negative return of -0.2%, outperforming the index which declined by 0.5%. The portfolio is invested in sovereign securities in the global pool, as well as credit instruments in the credit pool. Both pools showed a moderate outperformance. In August 2013, the exposure to the global pool, which is the most interest rate sensitive part of the fixed income portfolio, was reduced by half and reinvested in very short dated US treasury paper. This portfolio change has made the overall fund less sensitive to interest rate increases in the US.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2013

The hedge fund portfolio returned 5.9%, underperforming its benchmark by 1.8%. This has mainly been the result of the fact that the hedge fund exposure is constructed to be market neutral, and is therefore less sensitive to equity market performance than its benchmark. In years of strong positive equity markets, such as 2013, the portfolio tends to underperform its index.

The Foundation also holds programme related investments, which are held for charitable rather than financial returns.

Plans for Future Periods

See the review of achievements and performance on pages 8 to 14 for details of future plans.

Principle Risks and Uncertainties

The trustees have identified the major risks to which the Foundation is exposed. The level of exposure for each risk is assessed by considering the likelihood of occurrence, the potential consequences of occurrence and the effectiveness of existing controls in place 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 2014 in the event that the endowment does not generate sufficient returns to achieve the Foundation's objectives and maintain impact.

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.

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



Mr Malcolm Brinded, CBE
Trustee

11 June 2014

Independent auditors' report to the member and trustees of Shell Foundation

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Shell Foundation, comprise:

- the balance sheet as at 31 December 2013;
- the statement of financial activities and the summary income and expenditure account for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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 Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report to the member and trustees of Shell Foundation (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 5, the trustees 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 ISAs (UK & 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.



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

~~Date~~ 11 June 2014

Statement of financial activities for the year ended 31 December 2013

Company Registered Number: 4007273

	Note	Unrestricted Funds 2013 \$000	Restricted Funds 2013 \$000	Endowment Funds 2013 \$000	Total Funds 2013 \$000	Total Funds 2012 \$000
Incoming Resources						
<i>Incoming resources from generated funds</i>						
Voluntary income						
- Donations	2	6,000	14,069	-	20,069	16,397
Investment Income	3	-	-	5,573	5,573	5,284
Total Incoming Resources		6,000	14,069	5,573	25,642	21,681
Resources Expended						
<i>Cost of generating funds:</i>						
Investment management costs		-	-	(470)	(470)	(394)
Total Cost of Generating Funds		-	-	(470)	(470)	(394)
<i>Charitable Activities</i>						
- Aspire		(1,352)	(16,805)	-	(18,157)	(5,637)
- EMBARQ		(2,881)	-	-	(2,881)	(1,716)
- Trading UP		(605)	-	-	(605)	(1,125)
- Breathing Space		(6,626)	(1,001)	-	(7,627)	(6,147)
- Excelerate		(2,545)	(3,863)	-	(6,408)	(6,045)
- LEAD Africa Fellowship		(165)	-	-	(165)	(910)
- Incubator		(3,087)	(3)	-	(3,090)	(1,877)
Total Charitable Activities	5	(17,261)	(21,672)	-	(38,933)	(23,457)
Governance costs	7	(765)	-	-	(765)	(574)
Total charitable expenditure		(18,026)	(21,672)	-	(39,698)	(24,031)
Total Resources Expended		(18,026)	(21,672)	(470)	(40,168)	(24,425)
Net (outgoing)/incoming resources before transfers		(12,026)	(7,603)	5,103	(14,526)	(2,744)
Transfers		10,242	-	(10,242)	-	-
Net (outgoing)/incoming resources before other recognised gains and losses		(1,784)	(7,603)	(5,139)	(14,526)	(2,744)
Other recognised gains and losses						
Realised gains on the revaluation and disposal of investment assets		-	-	2,004	2,004	2,521
Unrealised gains on the revaluation and disposal of investment assets		-	-	42,176	42,176	42,984
Net Movement in Funds		(1,784)	(7,603)	39,041	29,654	42,761
Fund balances brought forward at 1 January		14,808	(620)	433,837	448,025	405,264
Fund balances carried forward at 31 December		13,024	(8,223)	472,878	477,679	448,025

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.

Shell Foundation

Income and expenditure account for the year ended 31 December 2013

	2013 \$000	2012 \$000
Income		
Voluntary Income	20,069	16,397
Total realised income	20,069	16,397
Expenditure		
Charitable activities	(38,933)	(23,457)
Governance costs	(765)	(574)
Total expenditure	(39,698)	(24,031)
Net (deficit) of income over expenditure for the year	(19,629)	(7,634)

Balance sheet as at 31 December 2013

	Note	2013 \$000	2012 \$000
Fixed Assets			
Investments	11	472,906	439,653
Programme related investments	12	9,324	8,915
		482,230	448,568
Current Assets			
Debtors	13	5,300	3,000
Cash at bank and in hand	14	14,567	9,086
Short-term deposits	14	5,000	5,000
		24,867	17,086
Creditors: amounts falling due within one year	15	(22,901)	(16,679)
Net Current Asset/(Liability)	18	1,966	407
Total Assets less Current Liabilities		484,196	448,975
Creditors: amounts falling due after more than one year	16	(6,517)	(950)
Net Assets		477,679	448,025
The funds of the charity:			
Endowment Funds (including Revaluation Reserve \$61,076,160 (2012: \$19,675,062))	17	472,878	433,837
Restricted income Funds	17	(8,223)	(620)
Unrestricted income Funds	17	13,024	14,808
Total Charity Funds		477,679	448,025

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

11 June 2014

Notes to the financial statements for the year ended 31 December 2013

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 translate Sterling (GBP) to US Dollars (US\$) was GBP/US\$ 0.6352.

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. No donated services were received in 2013.

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 2013

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 Commitment (LOCs) signed in that year. Grant commitments for which payments were outstanding at the year-end are shown as liabilities in the Balance Sheet. The commitments are not discounted.

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 2013

2 Donations

	2013	2012
	\$000	\$000
Cash		
<u>Unrestricted</u>		
Shell Trading International Ltd	6,000	6,000
<u>Restricted</u>		
Shell Trading International Ltd	9,900	9,100
The Shell Centenary Scholarship Fund	-	755
OPEC Fund for International Development	525	125
DFID	3,644	187
JP Morgan	-	230
	20,069	16,397

3 Investment income

	2013	2012
	\$000	\$000
Fixed interest securities	405	-
Dividends	5,168	5,284
	5,573	5,284

4 Grants expenditure

	2013	2012
	\$000	\$000
Grants awarded brought forward	(13,762)	(12,154)
Payments	23,617	17,309
Grants awarded within 1 year	18,003	12,812
Grants awarded after 1 year	6,517	950
Grants awarded in the year	34,375	18,917

A full list of grants awarded in the year ended 31 December 2013 is included in the Trustees' Report (pages 15 to 16).

Notes to the financial statements (continued) for the year ended 31 December 2013

5 Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2013 \$000	2012 \$000
Aspire	(16,805)	(363)	(989)	(18,157)	(5,637)
EMBARQ	(2,552)	(172)	(157)	(2,881)	(1,716)
Trading UP	(290)	(282)	(33)	(605)	(1,125)
Breathing Space	(6,618)	(594)	(415)	(7,627)	(6,147)
Excelerate	(5,320)	(739)	(349)	(6,408)	(6,045)
LEAD Africa Fellowship	-	(156)	(9)	(165)	(910)
Incubator	(2,790)	(132)	(168)	(3,090)	(1,877)
Total for 2013	(34,375)	(2,438)	(2,120)	(38,933)	(23,457)
Total for 2012	(18,917)	(2,914)	(1,626)		

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	2013 \$000	2012 \$000
Manpower costs (see note 9)	(1,879)	(1,558)	(3,437)	(2,839)
External services	(179)	(66)	(245)	(486)
Communications	(12)	(293)	(305)	(449)
Travel	(332)	(207)	(539)	(534)
Training	(3)	(23)	(26)	(15)
Sundry	(33)	(67)	(100)	(234)
Exchange gain/loss	-	94	94	17
Total	(2,438)	(2,120)	(4,558)	(4,540)

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 2013, US\$19,405 was payable to Shell Group companies on normal business terms (2012: US\$23,230).

7 Governance Costs

	2013 \$000	2012 \$000
Manpower costs (see note 9)	(700)	(468)
Audit fees (inclusive of VAT)	(56)	(93)
Legal fees	-	(1)
Trustee expenses	(9)	(12)
Total	(765)	(574)

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.

Notes to the financial statements (continued) for the year ended 31 December 2013

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\$9,316 (2012: US\$12,508 in relation to 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

As an independent charity, Shell Foundation benefits in a number of ways from leveraging its links to Shell to achieve its mission and objectives. One example of this is with respect to staffing. The Foundation has no direct employees. Instead, employees of Shell Group companies are dedicated to work full-time for the Foundation in sole pursuit of its charitable objectives. Their remuneration is based on The Shell Group Global Pay Policy and their performance is assessed against pre-determined personal targets concerning their work for the Foundation as well as their wider contribution to meeting the Foundation's overall charitable mission. The monthly average staff employed by Shell Group companies to work for the Foundation during the year was 13.5 (2012: 12.4).

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

	2013 \$000	2012 \$000
Wages and salaries	(1,980)	(1,901)
Social security	(265)	(267)
Other pension costs	(471)	(420)
	(2,716)	(2,588)

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

GBP	2013	2012
60,000 to 70,000	2	3
70,000 to 80,000	1	1
80,000 to 90,000	-	1
90,000 to 100,000	1	1
100,000 to 110,000	2	1
120,000 to 130,000	-	1
130,000 to 140,000	1	1
150,000 to 160,000	1	-
180,000 to 190,000	1	-
190,000 to 200,000	-	1
	9	10

Shell Group companies made contributions during the year to a defined benefit pension scheme of GBP 224,934 in relation to these nine employees (2012: GBP 225,578 in relation to ten employees).

10 Taxation

The Foundation is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried 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 2013

11 Investments

	2013	2012
	\$000	\$000
Market value at 1 January	439,653	388,863
Purchases	74,106	38,359
Sales/withdrawals	(100,869)	(25,186)
Realised gains	2,004	2,521
Unrealised gains/losses	42,176	42,984
Movement of investment cash	15,836	(7,888)
Market value at 31 December	472,906	439,653

The year end value is analysed as:

		2012
		\$000
Fixed income investments – UK	13,703	20,293
Fixed income investments – overseas	148,586	134,242
Equity investments – UK	76,971	73,620
Equity investments – overseas	187,086	169,487
Hedge funds – overseas	44,472	41,946
Forward foreign currency contracts	(1,090)	(1,864)
Other assets	763	385
Investment cash	2,388	1,517
Cash invested in institutional cash funds	27	27
Market value at 31 December	472,906	439,653

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 56% of bonds and 0% of hedge fund investments were non US Dollar.

12 Programme related investments

	2013	2012
	\$000	\$000
GroFin Africa Fund		
Cost brought forward at 1 January	8,915	5,660
Purchases	1,209	3,630
Sales	(800)	(375)
Cost carried forward at 31 December	9,324	8,915

The value of programme related investments at the year end is shown at cost. The investment in the GroFin Africa Fund (GAF) represents 9,324 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.

Additionally, during 2013 the Foundation awarded a 'convertible grant' to Envirofit International Inc. to further the charity's charitable aims. This grant contains an option to convert it into equity shares, the trigger points for which have not yet been met. As there is currently no value to this programme related investment it has been fully expensed, but if the option is exercised in the future any value to the shares will be recognised accordingly in the financial statements.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2013

13 Debtors

	2013 \$000	2012 \$000
Restricted donations – Shell Trading International Ltd	5,300	3,000
	5,300	3,000

14 Cash at bank and in hand

	2013 \$000	2012 \$000
Cash at Bank	14,567	9,086
Cash held in short-term deposit	5,000	5,000
Total cash at bank and in hand	19,567	14,086

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

	2013 \$000	2012 \$000
Grants Payable	18,003	12,812
Trade Creditors – Shell International Limited	388	1,003
Accruals and deferred income – Shell International Limited	4,510	2,864
	22,901	16,679

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

	2013 \$000	2012 \$000
Total Grants payable	24,520	13,762
Less amounts falling due within one year (note 15)	(18,003)	(12,812)
	6,517	950

Represented by:

Grants payable in greater than one year but less than two years	4,942	950
Grants payable in greater than two years but less than five years	1,575	-
	6,517	950

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2013

17 Funds

	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Transfers \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	433,837	5,573	(470)	(10,242)	44,180	472,878
Unrestricted Funds	14,808	6,000	(18,026)	10,242	-	13,024
Restricted Funds	(620)	14,069	(21,672)	-	-	(8,223)
	448,025	25,642	(40,168)	-	44,180	477,679

At the year end the restricted funds were in deficit due to timing differences between recognition of income and expenditure commitments. Transfers were made between the expendable endowment and unrestricted funds during the year to fund the Foundation's annual activities.

18 Analysis of net assets between funds

		Unrestricted Funds 2013 \$000	Restricted Funds 2013 \$000	Endowment Funds 2013 \$000	Shell Foundation 2013 \$000	Shell Foundation 2012 \$000
	Note					
Fixed Assets						
Investments (at market value)	11	28	-	472,878	472,906	439,653
Programme related investments (at cost)	12	9,324	-	-	9,324	8,915
		9,352	-	472,878	482,230	448,568
Current Assets						
Debtors	13	-	5,300	-	5,300	3,000
Cash at bank and in hand	14	16,084	3,483	-	19,567	14,086
Creditors: amounts falling due within one year	15	(10,849)	(12,052)	-	(22,901)	(16,679)
Net Current Assets/(Liabilities)		5,235	(3,269)	-	1,966	407
Total Assets less Current Liabilities		14,587	(3,269)	472,878	484,196	448,975
Creditors: amounts falling due after more than one year	16	(1,563)	(4,954)	-	(6,517)	(950)
Net Assets		13,024	(8,223)	472,878	477,679	448,025

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

	2013 \$000	2012 \$000
Continuing activities		
Net incoming / (outgoing) resources – unrestricted & restricted funds	(9,388)	(7,634)
Investment income – unrestricted & restricted funds	-	-
Increase in net debtors – unrestricted & restricted funds	(2,300)	(3,000)
Increase in net creditors – unrestricted & restricted funds	11,789	835
	101	(9,799)

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2013

20 Capital commitments

The Foundation had no capital commitments as at 31 December 2013 (2012: 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 fees of US\$202,782 (2012: US\$215,660), which equates to approximately four basis points, on normal business terms with SAMCo, which is favourable compared to our previous asset manager.

During the year the Foundation made payments of US\$439,070 (2012: US\$1,419,078) on normal business terms with Shell International BV and US\$4,852,343 (2012: US\$6,307,199) 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, Mr Hugh Mitchell 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	2013	2012
	\$000	\$000
Shell Trading International Ltd	15,900	15,100

As part of Shell Foundation's approach as an engaged donor, Shell Foundation staff members often participate in the governance of strategic partners. Neither the Foundation or its staff members receive remuneration for these governance roles. The balance outstanding at year end for grants made to organisations where Shell Foundation has a Board member or other governance role are as follows:

Entity Name	2013	2012
	\$000	\$000
Envirofit Carbon Holdings One	-	1,225
CottonConnect Limited	864	364
Jain Sons Finlease Ltd	335	1,300
First Light Ventures	380	380
M-KOPA Services LLC	-	1,386
The United Nations Foundation	-	255
Envirofit International Inc	1,100	150
CottonConnect Hong Kong Ltd	-	500
Gajam Group Limited	1,900	750
Stichting Smart Freight Centre	1,020	-
Factor (E)	950	-

Notes to the financial statements (continued) for the year ended 31 December 2013

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 2014, Envirofit International Inc had drawn down US\$3m of this loan.

