



**SHELL
FOUNDATION**

Shell Foundation

(a company limited by guarantee)

Trustees' report and financial statements for the year ended 31 December 2010

Company Registered Number: 4007273
Charity Registered Number: 1080999

Shell Foundation

Trustees' report and financial statements for the year ended 31 December 2010

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

www.shellfoundation.org

Shell Foundation

Trustees, directors, officers and advisors

Trustees (who are also directors)

Mr Malcolm Brinded, C.B.E.	Chairman		
Mr Peter Voser			
Mr Ben van Beurden			
Lord Mark Malloch-Brown	Nominated trustee	Appointment date:	17 June 2010
Sir John Houghton	Nominated trustee	Resignation date:	17 June 2010
Dr William Kalema	Nominated trustee		
Dr Pieter Winsemius	Nominated trustee	Resignation date:	24 November 2010
Prof Louise Fresco	Nominated trustee	Appointment date:	1 June 2011

Principal Officers

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

Registered Office

Shell Centre
York Road
London SE1 7NA

Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
SE1 2RT

Solicitors

Allen & Overy
One Bishops Square
London E1 6AD

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Investment Custodian

JP Morgan Chase Bank
60 Victoria Embankment
London EC4Y 0JP

Shell Foundation

Report of the Trustees for the year ended 31 December 2010

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 2010.

The information with respect to trustees, directors, officers and advisors set out on page 3 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 and the Charities Act 1993, as amended by the Charities Act 2006.

Status and Administration

Shell Foundation ("the Foundation") is a charitable company limited by guarantee, incorporated on 31 May 2000 (company registration number 4007273) and registered with the Charity Commission as a charity on 2 June 2000 (charity registration number 1080999). Since 14 February 2008, the Foundation has had charity registration with the tax authorities in The Netherlands (as an *algemeen nut beogende instelling*).

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 2010

Statement of Trustees' Responsibilities

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

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

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

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

In so far as the trustees are aware:

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

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

Risk Management

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

Of the 10 key risks identified, none are currently regarded as posing an unacceptable residual exposure. 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. 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 from 2011 onwards. In response to this risk, the trustees appointed an external adviser to review the investment objectives and strategy, the results of which will be implemented in 2011. They also secured in-principle agreement from the member to provide additional 'top-up' unrestricted donations during 2011-2013 in the event that the endowment does not generate sufficient returns to achieve the Foundation's objectives and maintain impact.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2010

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 \$259 million were received from Shell Group companies, of which \$256 million was in the form of an expendable endowment and the balance as unrestricted funds. The Foundation has received annual donations from Shell Group until 2010, and will receive a smaller annual donation in 2011.

Grant Commitments

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

As part of its risk control framework, the Foundation conducts due diligence assessments of these prospective grantees (grant recipients) prior to awarding grants to confirm that, at the time of 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 and 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 2010

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 African Leadership Programme.*
3. The establishment in life of young persons aged not more than 30 years. *This objective was not the focus of a specific programme in 2010.*
4. The relief of poverty, suffering, hardship and distress. *This objective has been furthered via grants made through all the Foundation's programmes.*

The trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit in section 4 of the Charities Act 2006 when reviewing the Foundation's aims and objectives and when considering grants to be awarded. The Foundation's Articles permit it to make grants to further these objectives anywhere in the world, and its policy is to act as a truly international grant-making Foundation. It is not the Foundation's practice to support:

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

Activities and Achievements for the Public Benefit

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

Report of the Trustees (continued) for the year ended 31 December 2010



BUILDING BETTER
BUSINESSES



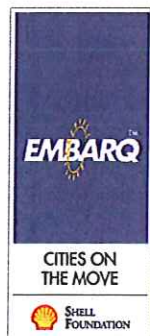
In developing countries Small and Medium-sized Enterprises (SMEs) struggle to obtain finance from banks because of a lack of skills, track record and collateral and a risk averse culture. Yet the SME sector is absolutely vital to the economic development of poor countries.

Aspire helps 'under-served' SMEs in Africa 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>
Monitor performance of all four existing regional SME funds in Africa.	Engaged actively in the governance and performance evaluation of all funds managed by GroFin (now totalling over \$250 million).	Funds performed adequately given market conditions. Over 6,000 jobs have now been created and 40,000 livelihoods improved.	Monitor performance of regional SME funds in Africa to ensure strong financial and development impacts.
Extending Growth Finance beyond Africa.	Conducted a joint assessment with GroFin of the SME sector in India and the MENA region.	While the GroFin model is well placed to deliver development and financial opportunities, the complex regulatory environment poses barriers to market entry into India.	Assist GroFin to create an entry plan to viable markets outside Africa. Support the recruitment of key staff and marketing efforts to potential investors.
Provide further targeted support for the development of the Growth Finance sector.	Continued to support Optima – an African organisation that SF helped to establish to build the professional capacity of this new sector.	Training materials and several successful courses have been delivered in Africa and India by Optima.	Work with Optima to refine their business plan and consider ways to scale-up their activities.
Promote Growth Finance as a new asset class.	Publicise development and financial returns obtained by GroFin to donors and investors.	SF and GroFin recognised at 2010 World Business and Development Awards for their contribution to the UN Millennium Development Goals.	Continue efforts to demonstrate the scope of Growth Finance to deliver both financial and developmental returns.

Resources expended:	2010 \$000	2009 \$000
Grants	1,259	530
Direct costs	113	57
Support costs	166	54
Total	1,538	641

Report of the Trustees (continued) for the year ended 31 December 2010



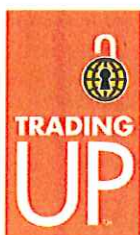
Over 50% of the world's population now live in cities, with a fast growing number of megacities each having more than 10 million residents. The urban poor people in the developing world suffer particularly from the economic and health impacts of traffic congestion which causes pollution and lengthy commutes 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, India and Turkey. In Mexico City, EMBARQ was directly responsible for the introduction of *MetroBus* – a bus rapid transit system now carrying over 500,000 passengers every day more quickly, cheaply and safely than previously, while reducing emissions of carbon dioxide and other greenhouse gases.

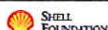
<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Support the scale-up of EMBARQ in terms of number of people served, number and impact of projects delivered and geographic footprint.	Provided management support to EMBARQ to develop its scale-up strategy (including plans to increase and diversify revenue streams) and ran strategy workshops to produce detailed country growth plans and systematise the sharing of expertise across the network.	EMBARQ is operating over 20 projects in megacities around the world. Over 1.3 million passengers per day benefit from their activities, reducing journeys by 39% on average and saving 720,000 tons of CO ₂ .	SF will support EMBARQ to extend their influence in existing countries, to be seen as the "partner of choice" for cities looking for urban mobility expertise, and to assess the viability of expansion into China.
Assist EMBARQ in its search for a new Director, following the departure of their existing Director in Q2 2010.	SF has helped WRI to create a list of individuals with the right track record of scaling organisations and building cross-sector networks to move EMBARQ forward.	Candidates were shortlisted in Q4 2010, and SF's Director has taken part in the interview process. Appointment expected to be announced in Q1 2011.	Help EMBARQ's new Director to establish a plan to grow the effectiveness of the organisation and to explore new revenue streams to reduce reliance on grant funding.
Assist EMBARQ to increase its influence on national transport policy within the countries in which it operates, and to develop a strategy for effecting real impact on the ground through policy interventions.	Helped EMBARQ centres to develop specific engagement plans for national transport stakeholders. Leveraged SF networks to connect EMBARQ to sustainable transport policymakers in Europe.	EMBARQ is building on success at city level in Mexico, Brazil and India to replicate their activities and influence thinking by working with national governments. EMBARQ received two prestigious international awards for its work in 2010.	SF will help EMBARQ extend its impact on national transport & urban development policies by seeking opportunities to convene influential stakeholders in 2011, and by helping them to strengthen their global brand and local influence strategies.

Resources expended:	2010 \$000	2009 \$000
Grants	1,610	1,500
Direct costs	274	622
Support costs	229	195
Total	2,113	2,317

Report of the Trustees (continued) for the year ended 31 December 2010



UNLOCKING MARKETS.
ENHANCING LIVELIHOODS.



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

The **Trading UP** programme aims to unlock markets for poorer producers in developing countries by providing business development assistance and funding and market linkages. Shell Foundation helped to set up The Better Trading Company (TBTC) in 2008 as Trading UP's first "ethical agent" to act as a commercial intermediary between small-scale agricultural producers and global retailers. In 2009, it co-founded CottonConnect (CC) to help retailers enhance the sustainability of their cotton supply in ways that reduce poverty and protect the environment.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To support TBTC to scale-up their activities and impacts in sustainable ways, and to develop a diverse range of niche horticultural products to bring to market.	Helped TBTC to develop a cost-effective, self-financing scale-up strategy and to completely separate the operations of its sister company, The Better Flower Company, to enable them to focus on the specialist requirements of the flowers sector.	TBTC now supply chillis from Zimbabwe to the US makers of Tabasco sauce, and beans and peas to a major European supplier. TBTC continued to supply Waitrose with ethically-sourced flowers and had a successful trial with Tesco. Their combined work has now improved nearly 12,000 livelihoods.	Support TBTC to secure further supply agreements, and to leverage external investment to expand their operations. Build on the early success of TBTC by establishing a viable scale-up model to remain competitive within a volatile and low-margin supermarket flower sector.
To help CC to establish a business capable of influencing more global brands to convert to sustainable cotton, whilst working with farmers on the ground to increase market supply in line with demand (thus reducing water and pesticide use, and improving farmer livelihoods).	Worked with CC to develop a viable five-year business plan for the expansion of a global organisation based in Europe and an implementation organisation to work with farmers in India. SF hosted a roundtable in India in 2010 to connect CC to cotton stakeholders in India.	CottonConnect have helped C&A (a major European retailer and co-founder) increase sales of sustainable cotton clothes to over 38 million garments in 2010, enhancing the lives of 14,500 farmers in their supply chain. CC have recruited specialist staff in India and Europe and trained over 1500 farmers in 2010.	Support CC to convert strong interest from a number of well-known major brands into their next big client contract, and to assess the viability of creating another implementation organisation in China.
Position TBTC and CottonConnect as models for high-impact "ethical agents" that can be replicated in wider agricultural and commodity crop markets.	Documented the early success of TBTC and CC and a new pilot project to outline three new models for ethical agents suitable for application to a diverse range of retail value chains.	SF published 'Fresh Progress', a report that described the steps it has taken to develop, scale and spin off three models for ethical agents.	SF will promote the potential impact of its partners to encourage wider replication of the "ethical agent" model in the retail sector.

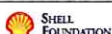
Resources expended:

	2010 \$000	2009 \$000
Grants	1,630	2,235
Direct costs	802	548
Support costs	295	357
Total	2,727	3,140

Report of the Trustees (continued) for the year ended 31 December 2010



SMOKE-FREE HOMES.
HEALTHY FAMILIES.



Indoor Air Pollution (IAP) is the toxic smoke caused by three billion people cooking on open fires or traditional stoves in poorly ventilated homes. IAP kills nearly two million people each year, making it the fourth most lethal killer in the developing world after malnutrition, unsafe sex and lack of safe water and sanitation, according to the World Health Organisation.

Breathing Space aims to achieve a verifiable and significant long-term reduction in the incidence of IAP among poorer households through commercial mechanisms. Since 2007 Shell Foundation has worked with Envirofit International to create a new business-based organisation to design, produce and market affordable, high quality clean cookstoves on a global scale.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To support Envirofit to become a self-financing organisation capable of bringing new “fit-for-purpose” products to market and scaling its impact to a global level.	SF provided ongoing business advice and strategic guidance to Envirofit, including active participation in an holistic review of Envirofit’s business in Q1 2010.	With over 200,000 stoves sold Envirofit is now the global market leader in clean cookstoves. In Q3 2010 Envirofit launched a new charcoal stove aimed at African markets.	SF to maintain support to Envirofit in 2011 in order to enhance product development, expand into new territories and secure additional funding.
To help Envirofit to grow in India beyond the current “tipping point” where sales are through word-of-mouth and local business and government support, and to expand into Africa and further global markets.	SF ran local marketing campaigns in south west India in Q1 2010 to generate market demand. SF also worked with several Indian microfinance institutions to develop new routes-to-market, and supported Berkeley Air to validate IAP reductions as a precursor to a global industry kitemark.	Sales of Envirofit stoves in rural south west India were seven times higher than in 2009. Following the launch of its charcoal stove, Envirofit began pilots with large distribution partners in Kenya, Tanzania, Congo and Zambia.	To support Envirofit’s operations in India, as well as phased expansion to other states. To pilot a Carbon Financing scheme to significantly reduce operational costs and open the way for a viable clean cookstoves market in Africa.
To develop, promote and support a global clean cookstove industry by raising awareness of IAP on a global and cross-sector level and removing barriers to market entry.	In 2010, SF partnered with the UN Foundation to create a global network of governments, corporates and NGOs, each committing resources to tackle the growing threat of IAP to the developing world.	In September 2010, the Global Alliance for Clean Cookstoves was launched by Hillary Clinton at the Clinton Global Initiative. Shell Foundation, UN Foundation and the US government were amongst the founding members.	To support the Global Alliance to fund research on the health and socioeconomic impacts of IAP, investigate carbon-financing schemes, support local distribution channels and create global standards and protocols for clean cookstove manufacturers.

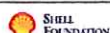
Resources expended:

	2010	2009
	\$000	\$000
Grants	3,552	3,617
Direct costs	1,086	993
Support costs	563	423
Total	5,201	5,033

Report of the Trustees (continued) for the year ended 31 December 2010



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.

Excelerate 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. As well as enhancing access to energy, the programme will realise reductions in carbon emissions.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
To provide skills and finance to a small number of selected social entrepreneurs to assist them with the start-up and growth of businesses providing modern energy services to the poor.	Provided direct support to six enterprises involved in the sale and distribution of household energy products, off-grid community electrification schemes and energy efficiency.	SF' strategic partner, Husk Power Systems (HPS), has now installed 50 rice husk gasification power plants in Bihar State, India. These provide electricity to 100,000 villagers – many for the first time. HPS has leveraged SF's support to secure additional investment of US\$1.65 million.	Maintain financial and business support to HPS to enable further expansion in Bihar, to recruit staff, build training capacity and to investigate further monetisation of waste streams from their power generation process. Continue close support with Excelerate partners and evaluate the potential of existing SF financial/non-financial investment for further scale up.
To establish appropriate and innovative consumer financing schemes that enable the poor to purchase modern energy products.	SF undertook an extensive analysis of a number of financing schemes and began negotiations with potential partners. Continued to engaged with a number of microfinance institutions to develop new commercial channels for "last-mile" distribution to the rural energy-poor.	In Q3 2010 SF partnered with Intellecash (a specialist provider of debt finance and business support to early-stage microfinance institutions) to create a US\$400,000 credit facility that will provide support and leverage investment in SME energy companies in India. The facility disbursed its first three loans in November 2010.	Continue to engage with microfinance groups in India to develop new distribution channels for product sales. Support the growth of SF partners by working more closely with local and national government on energy policy – including standards and incentives for rural energy suppliers.

Resources expended:

	2010	2009
	\$000	\$000
Grants	1,777	1,547
Direct costs	315	178
Support costs	254	159
Total	2,346	1,884

Report of the Trustees (continued) for the year ended 31 December 2010

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 of course a necessity, but equally good governance in all sectors and at all levels of society is 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>
To help LEAD to build capacity for the programme, to deliver strategic advice on the course syllabus and pilots in Senegal and Nigeria, and provide practical support for the development of course materials for participants.	<p>SF provided ongoing strategic and governance support to LEAD, and supported course development and marketing.</p> <p>SF also leveraged support from Shell's in-house Learning team for leadership training and learning product expertise.</p>	<p>Pilots in Senegal and Nigeria took place in March 2010. Eighty students took part in total, with an exceptionally high standard of applicants.</p> <p>Each module was professionally facilitated, with a high quality of plenary discussions and workshop debate, and positive feedback from participants.</p> <p>There was a strong focus on leveraging local expertise, good governance, social entrepreneurship and networking opportunities.</p>	<p>To support LEAD to enhance the framework of the LAFP, refine delivery, and develop a fit-for-purpose course for roll-out in Chad and Malawi in 2011.</p> <p>To appoint an Africa Director and establish a more effective organisational structure to enable Pan African scale-up</p> <p>SF and LEAD will look to secure the long-term future of the programme in 2011 by both leveraging additional investment and securing contributions from participants.</p>

Resources expended:	2010 \$000	2009 \$000
Grants	745	147
Direct costs	31	101
Support costs	94	23
Total	870	271

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2010

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>
To maintain a limited portfolio of incubator projects that add value to existing programmes or represent solution-orientated approaches to issues consistent with the Shell Foundation mission.	In 2010 SF began to assess potential initiatives related to “enterprise solutions to climate change” in addition to maintaining support for existing pilot initiatives related to sustainable energy.	In Q2 SF provided grant support to the P8 Group – an association of leading global pension funds and sovereign wealth investors who aim to facilitate increased investments into climate change initiatives by developing specialist funds and creating a new platform for policy recommendations. In Q3 SF began a partnership with Signal Point – a team who have developed a mobile phone technology allowing consumers to pay for energy products, such as solar lanterns, in instalments using their mobile phone. Initial pilots were launched in Kenya.	Continue active involvement with a limited portfolio of Incubator projects. In particular, test new initiatives with new partners relating to “enterprise solutions to climate change”.

Resources expended:	2010	2009
	\$000	\$000
Grants *	945	(922)
Direct costs	325	110
Support costs	154	33
Total	1,424	(779)

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

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2010

Details of all grants awarded in the year ended 31 December 2010 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2010 will be payable in subsequent financial years (see notes 4, 5 and 17).

<u>Programme</u>	<u>Grantee</u>	<u>Total funding \$000</u>
Aspire	GroFin Asia	
	<i>GroFin Entry into India</i>	1,000
	Optima Training	
	<i>Capacity building of service providers to the SME sector</i>	250
	Optima Training	
	<i>Capacity building workshop</i>	9
		1,259
EMBARQ	World Resources Institute	
	<i>Finance income streams: Fund feasibility study</i>	85
	World Resources Institute	
	<i>2010 Funding</i>	1,500
	CTS Mexico	
	<i>COP 16: Cancun bicycling event</i>	25
		1,610
Trading UP	Cotton Connect Limited	
	<i>Scaling up sustainable cotton</i>	1,147
	Clearly So	
	<i>Establishing Clearly So India: an online market place for Social business and enterprise</i>	98
	The Better Trading Company Limited	
	<i>Scale-up grant to support operational expansion plans</i>	295
	Forum for the Future	
<i>Taking the Trading UP business models to scale</i>	109	
	<i>Difference in exchange arising from prior period grants</i>	(19)
		1,630
Breathing Space	Berkeley Air Monitoring Group	
	<i>Strategic partnership</i>	323
	Envirofit	
	<i>Scale-up of commercial delivery of improved cookstoves</i>	2,000
	UN Foundation	
	<i>Global Alliance for Clean Cookstoves</i>	120
	Envirofit Carbon Holdings One LLC	
	<i>Pre-carbon Finance Facility</i>	800
	Drishtee Development and Communication Ltd	
<i>Assam market stoves and solar light assessment</i>	25	
Ved Vignan Maha Vidya Peeth (VVMVP)		
<i>Indoor AirPollution Youth Leadership Training programme</i>	34	
Gajam Group Limited		
<i>Dharma capacity building</i>	250	
		3,552

Shell Foundation

Excelerate	Husk Power Systems		
	<i>Rural electrification via rice husk gasification power plants</i>		550
	Gram Oorja Solutions Private		
	<i>Termination of 21530 – India SME Energy Fund</i>		(150)
	IntelleCash Microfinance network		
	<i>SME credit facility</i>		280
	Husk Power Systems		
	<i>Rural electrification via rice husk gasification in Bihar</i>		1,100
	Difference in exchange arising from prior period grants		(3)
			<u>1,777</u>
LEAD Africa Fellowship Programme	LEAD Africa – Phase 1		751
	Difference in exchange arising from prior period grants		(6)
			<u>745</u>
Incubator	University of Cambridge		
	<i>P8 Group: Advancing investment strategies to address climate change</i>		262
	Imperial College of Science, Technology & Medicine		
	<i>Further termination of 21381</i>		(9)
	Signal Point Partners		
	<i>Development of a mobile metering system for solar lanterns</i>		150
	The John Ray Initiative		
	<i>General support for work on the environment and development - 2009 contribution</i>		8
	Sustainable Mobility Finance LLC		
	<i>Provision of financing services for sustainable mobility infrastructure projects</i>		260
	The John Ray Initiative		
	<i>General support for work on the environment and development - 2010 contribution</i>		8
	Open Space		
<i>Rigs to Reefs revisited: Coastal climate adaptation</i>		16	
Deutsche Bank			
<i>Carbon initiative for community impact</i>		250	
			<u>945</u>
	Total grants awarded in 2010		11,518

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.

Report of the Trustees (continued) for the year ended 31 December 2010

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

Reserves

Until the end of 2010 the objective of the trustees continued to be to build endowment reserves to a level that provides a mature asset base capable of sustaining the funding of the entire annual programme of the Foundation, and in the meantime the annual programme was financed by donations from subsidiaries of Royal Dutch Shell plc. From 2011 onwards, the trustees plan to adopt a "total return" spend policy, 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 "free" reserves are sufficient to meet at least 50% of the following year's unrestricted expenditure. ("Free" reserves being those in a liquid form). This level will be maintained by budgeting to retain a surplus in the years where the Foundation has predictable income and building flexibility into the expenditure plans for future years. At 31 December 2010 the "free" reserves were \$16 million, which is approximately 87% of the following year's planned unrestricted expenditure.

The reserve policy is reviewed at least annually.

Endowment Investment Policy and Performance

The trustees wish to make prudent investments consistent with meeting the Foundation's primary investment objective of reaching financial independence after 2010. The flexibility offered by the funding arrangements outlined above permitted an investment policy that is targeted towards a higher rate of return and accepts volatile short-term results in the expectation that the volatility will be more than compensated for by superior long-term performance. To achieve this objective the selected strategy to the end of 2010 is to invest in a globally diversified portfolio of equity and bond markets (weighted 60% in equities and 40% in bonds and liquidity funds). The Foundation has the US Dollar as its functional currency. In order to mitigate the risk associated with investing globally in multiple currencies, the investment portfolio is hedged back to US Dollars (by the fund manager) through the use of forward foreign exchange contracts. From 2011, following a strategic review of investments, the trustees plan to adopt a "total return" spend policy, which aims to maintain the real value of both distributions and the endowment asset value.

Investments are included at closing mid-market value at the balance sheet date. Overall investment performance of the endowment during 2010 showed a strong positive return of 7.7%, which was behind the portfolio benchmark return. The equity portfolio returned 12% for the full year. The year ended very strongly as global equities posted their best fourth quarter return in years with markets ending the year above their pre-Lehman crisis levels. Resilience to the Euro crisis, along with improving economic and corporate news in key developing and emerging markets, helped markets finish the quarter on a high note. The MSCI World Index posted a positive 9.0% (USD) return in the fourth quarter.

The return from bond markets during the year was a negative 3%. Q4 was particularly difficult as the markets witnessed a reversal of fortune for global government bond markets. As the outlook for the US continued to improve, yields rose and treasuries declined, taking most of the other markets with them. Renewed turmoil in the European sovereign debt markets saw Ireland become the second peripheral nation to seek a bail-out from its neighbours. European government bond indices returned the worst quarterly performance since the launch of the union.

Shell Foundation

Report of the Trustees (continued) for the year ended 31 December 2010

The cumulative return of the portfolio since inception (December 2000) to year-end 2010 was 55%, 4.5% on an annualised basis (before fees).

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

Auditors

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

PricewaterhouseCoopers LLP accordingly shall continue as Auditors of Shell Foundation pursuant to section 386(2) of the Companies Act 1985. In accordance with section 253(2) of the Companies Act 1985 as updated by the Companies Act 2006, any Member or the Auditors may require the Report and Accounts to be laid before a general meeting by depositing a notice to that effect at the registered office of the Foundation not later than 28 days after the despatch of the accounts and reports to Members.

By order of the Board



Ben van Beurden
Trustee

// July 2011

Shell Foundation

Independent Auditor's Report to the Members of the Shell Foundation

We have audited the financial statements of Shell Foundation for the year ended 31 December 2010 which comprise the Statement of Financial Activities, 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 set out on page 5, 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 member 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.

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 2010 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 matters 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.


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

Shell Foundation

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



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

// July 2011

Shell Foundation

Statement of financial activities for the year ended 31 December 2010

Company Registered Number: 4007273

	Note	Unrestricted Funds 2010 \$000	Restricted Funds 2010 \$000	Endowment Funds 2010 \$000	Total Funds 2010 \$000	Total Funds 2009 \$000
Incoming Resources						
<i>Incoming resources from generated funds</i>						
Voluntary						
- Donations	2	20,046	377		20,423	27,118
Investment Income	3	158		5,430	5,588	6,208
Total Incoming Resources		20,204	377	5,430	26,011	33,326
Resources Expended						
<i>Cost of generating funds:</i>						
Investment management costs				(278)	(278)	(392)
Total cost of generating funds				(278)	(278)	(392)
<i>Charitable Activities</i>						
- Aspire		(1,538)			(1,538)	(641)
- EMBARQ		(2,113)			(2,113)	(2,317)
- Trading UP		(2,727)			(2,727)	(3,140)
- Breathing Space		(3,809)	(1,392)		(5,201)	(5,033)
- Excelerate		(2,346)			(2,346)	(1,884)
- LEAD Africa Fellowship			(870)		(870)	(271)
- Incubator		(1,424)			(1,424)	779
Total Charitable Activities	5	(13,957)	(2,262)		(16,219)	(12,507)
Governance costs	7	(218)			(218)	(388)
Total charitable expenditure		(14,175)	(2,262)		(16,437)	(12,895)
Total resources expended		(14,175)	(2,262)	(278)	(16,715)	(13,287)
Net incoming resources before revaluations and investment asset disposals		6,029	(1,885)	5,152	9,296	20,039
Loss on disposal of subsidiary						
Realised gains/(losses) on the revaluation and disposal of investment assets				8,398	8,398	(1,403)
Unrealised gains/(losses) on the revaluation and disposal of Investment assets				17,420	17,420	52,027
Net Movement in Funds		6,029	(1,885)	30,970	35,114	70,663
Fund balances brought forward at 1 January		20,776	7,180	367,563	395,519	324,856
Fund balances carried forward at 31 December		26,805	5,295	398,533	430,633	395,519

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.

The accompanying notes form part of these financial statements.

Shell Foundation

Income and expenditure account for the year ended 31 December 2010

Company Registered Number: 4007273

	2010 \$000	2009 \$000
Income		
Voluntary Income	20,423	27,118
Investment Income (unrestricted)	158	44
Total realised income	20,581	27,162
Expenditure		
Charitable activities	(16,219)	(12,507)
Governance costs	(218)	(388)
Total expenditure	(16,437)	(12,895)
Net surplus/(deficit) of income over expenditure for the year	4,144	14,267

Balance sheet as at 31 December 2010

	Note	2010 \$000	2009 \$000
Fixed Assets			
Investments	11	401,176	375,111
Social investments	12	3,594	2,229
		404,770	377,340
Current Assets			
Cash at bank & in hand	13	11,817	23,844
Short-term deposits	13	23,500	
		35,317	23,844
Creditors: amounts falling due within one year	14	(8,245)	(5,190)
Net Current Assets/(Liabilities)	17	27,072	18,654
Total Assets less Current Liabilities		431,842	395,994
Creditors: amounts falling due after more than one year	15	(1,209)	(475)
Net Assets		430,633	395,519
Represented by:			
Endowment Funds	16	398,533	367,563
Restricted Funds	16	5,295	7,180
Unrestricted Funds	16	26,805	20,776
Total Funds		430,633	395,519

The accompanying notes form part of these financial statements.

The financial statements on pages 21 to 32 were approved by the trustees and signed on their behalf by:



Ben van Beurden
Trustee

// July 2011

Shell Foundation

Cash flow statement for the year ended 31 December 2010

Company Registered Number: 4007273

	Note	2010		2009	
		\$000	\$000	\$000	\$000
Net cash inflow from operating activities	18		7,907		11,539
Returns on investments and servicing of finance					
Interest Income (unrestricted & restricted)		34		44	
Investment Income (unrestricted & restricted)		124			
Investment income received endowment funds		5,430		6,164	
Investment income attributable to endowment funds		(5,430)		(6,164)	
Total returns on investments and servicing of finance			158		44
Capital expenditure and financial investment					
<u>Investing Activities</u>	11				
Purchase of investments		(31,363)		(41,789)	
Purchase of social investments		(1,365)		(1,142)	
Sale of investments		24,406		33,848	
(Purchase)/Sale of Investments Fidelity					
Dividends reinvested Fidelity					
<u>Hedging Activities</u>	11				
Payments on forward foreign exchange contracts		(5,335,305)		(1,150,591)	
Proceeds on forward foreign exchange contracts		5,341,999		1,149,807	
Gain/(loss) on foreign exchange		6		5	
Cash flow attributable to endowment investments		257		8,720	
Total capital expenditure and financial investment			(1,365)		(1,142)
Financing					
Investment income retained within endowment funds		5,430		6,164	
Cash flow attributable to endowment investments		(257)		(8,720)	
Cash expended on endowment fund fees		(399)		(473)	
Total Financing			4,773		(3,029)
Increase in cash in the year			11,473		7,412
Analysis of change in cash					
Cash balance at 1 January			23,844		16,432
Cash balance at 31 December			35,317		23,844
Increase in cash in the year			11,473		7,412

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2010

1 Accounting Policies

Basis of Preparation

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", published in March 2005, and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006.

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

The financial statements of the Foundation are prepared in 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 (USD) was GBP/USD 0.6462.

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 2010, 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 funding memorandum from the endowment donor, to meet the objective of building the endowment fund to a level capable of sustaining the entire annual programme of the Foundation.

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.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

Costs of Generating Funds

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

Charitable Activity Costs

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

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

Governance Costs

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

Value Added Tax ('VAT')

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

Gains and Losses on Foreign Exchange

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

Investments

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

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

Financial Instruments

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

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

2 Donations Received

	2010	2009
	\$000	\$000
Cash		
Shell Trading International Ltd	20,000	18,800
Shell International B.V		1,900
The Shell Centenary Scholarship Fund	377	250
Barclays Bank plc		283
Onderling Medisch Steunfonds		5,534
Donated services		
Mayer Brown LLP	46	
Shell International Petroleum Company Ltd		234
Shell International Ltd		42
Shell Gas & Power International BV		75
	20,423	27,118

Donated services in 2010 was made up of pro bono consultancy services provided in relation to the Exceleerate programme.

3 Investment income

	2010	2009
	\$000	\$000
Interest on Cash Deposits	34	44
Fixed Interest Securities	45	11
Dividends	5,385	6,153
Income from Social Investment	124	
	5,588	6,208

4 Grants expenditure

	2010	2009
	\$000	\$000
Grants payable brought forward	(3,352)	(6,475)
Payments	8,364	11,777
Grants payable within 1 year	5,297	2,877
Grants payable after 1 year	1,209	475
Grants awarded in the year	11,518	8,654

A full list of grants awarded in the year ended 31 December 2010 is included in the Trustees' Report (pages 15 to 16).

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

5 Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2010 \$000	2009 \$000
Aspire	(1,259)	(113)	(166)	(1,538)	(641)
EMBARQ	(1,610)	(274)	(229)	(2,113)	(2,317)
Trading UP	(1,630)	(802)	(295)	(2,727)	(3,140)
Breathing Space	(3,552)	(1,086)	(563)	(5,201)	(5,033)
Excelerate	(1,777)	(315)	(254)	(2,346)	(1,884)
LEAD Africa Fellowship	(745)	(31)	(94)	(870)	(271)
Incubator	(945)	(325)	(154)	(1,424)	779
Total for 2010	(11,518)	(2,946)	(1,755)	(16,219)	
Total for 2009	(8,654)	(2,609)	(1,244)		(12,507)

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

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

6 Direct and Support Costs

	Direct costs \$000	Support costs \$000	2010 \$000	2009 \$000
Manpower costs (see note 9)	(1,277)	(1,160)	(2,437)	(2,178)
External services	(280)	(71)	(351)	(503)
Communications	(606)	(315)	(921)	(835)
Travel	(311)	(116)	(427)	(316)
Training	(6)	(1)	(7)	(41)
Sundry	(481)	(22)	(503)	(40)
Exchange gain/loss	15	(70)	(55)	60
Total	(2,946)	(1,755)	(4,701)	(3,853)

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 2010, \$161,573 was payable to Shell Group companies on normal business terms.

7 Governance Costs

	2010 \$000	2009 \$000
Manpower costs (see note 9)	(182)	(344)
Audit fees	(33)	(33)
Trustee expenses	(3)	(11)
Total	(218)	(388)

Net incoming resources are stated after charging auditors' remuneration for audit services ("Audit Fees") as shown above. These are the fees for the audit of the Foundation's accounts.

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

8 Trustee information

No trustee received any remuneration from the charity during the year. The Foundation directly incurred or reimbursed travel expenses in relation to three trustees totalling \$2,595 (2009: \$11,488 in respect of three trustees).

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

9 Employee information

The Foundation has no direct employees. Some employees of Shell Group companies work on the Foundation's activities. The average staff employed by Shell Group companies to work for the Foundation during the year was 12.1 (2009: 11.4).

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:

	2010 \$000	2009 \$000
Salaries	(1,603)	(1,359)
Social security	(160)	(127)
Pension costs	(452)	(351)
	(2,215)	(1,837)

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

	2010	2009
£60,000 to £80,000	1	2
£80,000 to £90,000	2	2
£90,000 to £100,000	1	1
£100,000 to £110,000	1	
£110,000 to £140,000	2	
£140,000 to £160,000	1	
£160,000 to £170,000		1
	8	6

Shell Group companies made contributions during the year to a defined benefit pension scheme of £276,148 in relation to these eight employees (2009: £159,746 in relation to six employees).

10 Taxation

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

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

11 Investments

	Market Value 1 Jan 10 \$000	Purchases at cost/ Deposits \$000	Sale Proceeds/ Withdrawals \$000	Gains/ (Losses) \$000	Market Value 31 Dec 10 \$000
Pooled Investment Vehicles					
Overseas bonds	130,230	11	(11,121)	3,139	122,259
Overseas equities	223,238	10,482	(13,285)	31,546	251,981
	353,468	10,493	(24,406)	34,685	374,240
Liquidity Fund	19,580	20,870		(12,894)	27,556
Forward Foreign Exchange Contracts	2,036	5,341,999	(5,335,305)	(9,377)	(647)
Sub-Total	375,084	5,373,362	(5,359,711)	12,413	401,149
Cash invested in institutional cash funds	27				27
Totals	375,111	5,373,362	(5,359,711)	12,413	401,176

As at the year end the Foundation held equity investments valued at \$252 million, benchmarked to the MSCI World Index, held with State Street Global Advisors in a Common Trust Fund, and bond investments valued at \$122 million benchmarked to a World Government Bond Index. Total assets invested in Common Trust Funds at the year-end were \$374 million. Cash invested in institutional cash funds represents cash invested in Fidelity Institutional Cash Fund plc.

The investment portfolio is hedged by the fund managers through the use of forward foreign exchange contracts. The mandate is to hedge 50% of non US Dollar denominated equities and 100% of non US Dollar denominated bonds. At the year end, 50.88% of equities and 70.74% of bonds were non US Dollar.

12 Social investments

	2010 \$000	2009 \$000
GroFin Africa Fund		
Cost brought forward at 1 January	2,229	1,087
Purchases	1,365	1,142
Cost carried forward at 31 December	3,594	2,229

The value of social investments at the year end is shown at cost. The investment in the GroFin Africa Fund (GAF) represents 3,594,200 Class A (\$1) shares in the fund, which meets the objectives of the Aspire programme.

13 Cash at bank and in hand

	2010 \$000	2009 \$000
Cash at Bank	11,817	23,844
Cash held in short-term deposit	23,500	
Total cash at bank and in hand	35,317	23,844

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

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

14 Creditors: amounts falling due within one year

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

	2010	2009
	\$000	\$000
Grants Payable	5,297	2,877
Trade Creditors – Shell International Limited	124	766
Accruals – Shell International Limited	2,344	1,547
Loan guarantee – Charity Bank	480	
	8,245	5,190

15 Creditors: amounts falling due after more than one year

	2010	2009
	\$000	\$000
Total Grants payable	6,506	3,352
Less amounts falling due within one year (note 14)	(5,297)	(2,877)
	1,209	475
Represented by:		
Grants payable in greater than one year but less than two years	779	405
Grants payable in greater than two years	430	70
	1,209	475

16 Funds

	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	367,563	5,430	(278)	25,818	398,533
Unrestricted Funds	20,776	20,204	(14,175)		26,805
Restricted Funds	7,180	377	(2,262)		5,295
	395,519	26,011	(16,715)	25,818	430,633

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

17 Analysis of net assets between funds

	Note	Unrestricted Funds 2010 \$000	Restricted Funds 2010 \$000	Endowment Funds 2010 \$000	Shell Foundation 2010 \$000	Shell Foundation 2009 \$000
Fixed Assets						
Investments (at market value)	11	5,260		395,916	401,176	375,111
Social investments (at cost)	12	3,594			3,594	2,229
		8,854		395,916	404,770	377,340
Current Assets						
Cash at bank & in hand	13	27,260	5,440	2,617	35,317	23,844
Creditors: amounts falling due within one year	14	(8,100)	(145)		(8,245)	(5,190)
Net Current Assets/(Liabilities)		19,160	5,295	2,617	27,072	18,654
Total Assets less Current Liabilities						
Creditors: amounts falling due after more than one year	15	(1,209)			(1,209)	(475)
Net Assets		26,805	5,295	398,533	430,633	395,519

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

	2010 \$000	2009 \$000
Continuing activities		
Net incoming / (outgoing) resources – unrestricted & restricted funds	4,144	14,266
Investment income – unrestricted & restricted funds	(124)	1
Increase in net creditors – unrestricted & restricted funds	3,921	(2,684)
Interest income on bank accounts	(34)	(44)
	7,907	11,539

19 Capital commitments

The Foundation had no capital commitments as at 31 December 2010 (2009: \$ nil).

20 Capital

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

Shell Foundation

Notes to the financial statements (continued) for the year ended 31 December 2010

21 Related party transactions

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

Of the Foundation's current or former trustees listed on page 3, the following are or were directors or officers of certain Shell Group companies: Mr Peter Voser, Mr 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 and 2010. Donations received totalled \$250,000 in 2010 (2009: \$150,000), with a contingent asset of \$291,000 for a grant that was awarded in 2010 but not yet paid at year end.

Sir John Houghton is President of The John Ray Initiative, UK registered charity 1067614, which received a grant of \$15,475 from the Foundation during 2010.

22 Guarantees and contingent liabilities

During the year, Shell Foundation entered into a guarantee to further the charitable aims of its Trading UP programme. The guarantee is for up to \$480,000 on a loan given by Charity Bank to The Better Flower Company (a Foundation grantee). The total loan is for \$700,000. Due to events that occurred subsequent to year end, Shell Foundation paid the guarantee to Charity Bank in full on 27 January 2011.

At any time the Foundation may be in discussion with potential grantees or may even have made formal offers of grants to grantees, which are pending their acceptance. As at 31 December 2010 there were no contingent liabilities in the form of formal offers ("Letters of Understanding") issued but pending acceptance. All accepted offers of grants have been included in charitable expenditure for the year. As at 31 December 2010 the Foundation had contingent liabilities of \$1.5 million in respect of the following:

<u>Organisation</u>	<u>\$000</u>
World Resources Institute – During December 2007 a contingent liability of \$1.5 million per year for the years 2008-2011 was entered into for the EMBARQ project, which is conditional upon the future performance of the grantee.	1,500
	<hr/>
	1,500