

# Shell Foundation

(a company limited by guarantee)

## Report of the trustees and financial statements for the year ended 31 December 2015

Company Registered Number: 4007273

Charity Registered Number: 1080999

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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](http://www.shellfoundation.org)

## Trustees, directors, officers and advisors

### Trustees (who are also directors)

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

Mr Malcolm Brinded, CBE	Chairman, Nominated Trustee	
Mr Ben van Beurden		Resigned 7 July 2016
Mr Hugh Mitchell		Resigned 26 November 2015
Lord Mark Malloch-Brown	Nominated trustee	
Dr William Kalema	Nominated trustee	Resigned 1 July 2015
Mr Maxime Verhagen	Nominated trustee	
Prof Maggie Kigozi	Nominated trustee	Appointed 1 July 2015
Mr Andrew Brown		Appointed 26 November 2015

### Principal Officers

Dr Chris West	Director	Resigned 16 February 2015
Mr Sam Parker	Director	Appointed 16 February 2015
Shell Corporate Secretary Ltd	Secretary	
Ms Amanda Burston	Finance Manager	Resigned 31 August 2015
Ms Rachel Singh	Chief Financial Officer	Appointed 1 September 2015
Mr Paul Suller	Interim Chief Financial Officer	Appointed 1 February 2016

### Registered Office

Shell Centre  
York Road, London  
SE1 7NA

### Independent Auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

### Bankers

Lloyds Bank plc  
25 Gresham Street  
London EC2V 7HN

### Investment Custodian

Shell Asset Management Company  
Winston Churchill Tower  
Sir Winston Churchillaan 366H  
2285 SJ, Rijswijk  
The Netherlands

## Report of the trustees for the year ended 31 December 2015

The trustees, who are also directors of the Foundation for the purpose of the Companies Act, present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

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 'Charities SORP (FRS 102)' effective 1<sup>st</sup> January 2015, the Companies Act 2006 and the Charities Act 2011.

### Status and Administration

Shell Foundation ('the Foundation' or 'SF') is a charitable company limited by guarantee, incorporated on 31 May 2000 (company registration number 4007273) and registered with the Charity Commission as a charity on 2 June 2000 (charity registration number 1080999). Since 14 February 2008, the Foundation has had charity registration with the tax authorities in The Netherlands (as an *algemeen nut beogende instelling*, registration number 823793059). The Foundation is also registered in the United States of America under section 501(c)(4) of the Internal Revenue Code, identification number 98 0368454.

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

### 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 2015

### Statement of Trustees' Responsibilities

The trustees (who are also directors of Shell Foundation for the purposes of company law) are responsible for preparing the Report of the Trustees (including the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In so far as the trustees are aware:

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

### Relationship with the Shell Group

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 restricted and unrestricted donations from the Shell Group totalling US\$215m to the end of 2015.

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.

## Report of the trustees (continued) for the year ended 31 December 2015

### Grant Commitments

The Foundation identifies strategic partners it wants to support in order to further its charitable purposes for the public benefit, and does not encourage the submission of unsolicited grant applications.

As part of its risk control framework, the Foundation conducts due diligence assessments of these prospective grantees (grant recipients) prior to awarding grants to confirm that, at the time of grant approval, there is an expectation that the project is likely to be successful and, therefore, that the grant commitment will be paid in full. Grants are assessed and approved by the Board of Trustees or Management Team, depending on value.

Certain milestones must be met by the grantee to receive scheduled grant payments to ensure they remain aligned to the Foundation's charitable objectives. The expectation upon signing the Letter of Commitment (LOC) is that the grantee will be able to achieve the milestones. Progress against milestones is monitored, 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.

### Social Investments

Grant funding continues to be our standard mechanism for early support to partners. Other forms of social investment will be considered, but only in relation to the scale-up of existing Foundation strategic partners and in ways that have additionality (e.g. leveraging support from other investors), and this may include convertible grants, repayable grants/loans, fund investments, equity and financial guarantees. All proposed non-grant social investments have been subject to approval by the Board of Trustees regardless of size. These programme related investments further the delivery of our charitable objectives and KPIs.

Any private benefit generated by our social investments is incidental to the pursuit of the public benefit and our charitable objectives. The Foundation seeks to liquidate its social investments once the investee enterprise is sufficiently mature and profitable to attract normal commercial investors and funding.

### Objectives and Activities for the Public Benefit

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

1. The protection and preservation of the environment and public health by means of education and research into the provision and use of energy in ways that reduce or eliminate harmful emissions. *The Foundation has pursued this objective via grants made through its Access to Energy, Sustainable Mobility and SME Job Creation programmes.*
2. The advancement of education of young persons and adults. *This objective was not the focus of a specific programme in 2015.*
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 2015.*
4. The relief of poverty, suffering, hardship and distress. *This objective has been furthered via grants made through all the Foundation's programmes.*

These objectives have been met through the activities described on the following pages.

## **Report of the trustees (continued) for the year ended 31 December 2015**

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**

#### **Achievements and Performance**

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

## Report of the trustees (continued) for the year ended 31 December 2015

### Access to Energy

Energy is the bedrock of inclusive economic growth, Nearly two billion people lack access to reliable and affordable modern energy – severely constraining their health, education and earning potential. Of this group, 60% live entirely without electricity for cooking, lighting and heating at home, for community services, or for improving the productivity of small businesses and farms.

**This programme** aims to build a viable market for affordable off-grid energy solutions. SF co-creates and supports the scale-up of pioneering social enterprises and market enablers (such as supply chain or financial intermediaries), to increase the availability of modern energy services to low income consumers in ways that are financially viable and scaleable. Our geographic focus is India, Africa and Latin America. In addition, the programme aims to create significant reductions in carbon emissions.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Provide extensive business support and patient long-term funding to a small number of selected entrepreneurs that are providing modern energy products and services to low- income consumers.	SF provided strategic support to clean cookstove manufacturer Envirofit; including securing equity investment from FMO, debt funding from OPIC, and helping them establish operations in Latin America.	Envirofit have now sold 1 million clean cookstoves - making them the first clean cookstove manufacturer to achieve this scale and resulting in 5 million improved livelihoods.	Continue to support SF's social enterprise partners to build organisational capacity, attract investment and foster demand to scale their businesses across India, Africa and Latin America in 2016.
Work directly to help SF social enterprise partners to validate disruptive business models, achieve viable growth and deliver large-scale impact.	SF helped the newly appointed CEO of HPS - a rural utility - to redesign their business model, advance their technology and build the capacity of the management team in preparation for their scale up in 2016.	HPS successfully launched their first biomass and solar power hybrid plant, which makes it one of the cheapest 24 hour energy plants that effectively serves rural low-income communities.	Leverage funding into HPS to support the scale up of the rural utility model, and aim to improve a million lives.
The 2015 budget was reduced slightly versus 2014 to enable more funds to be assigned to the incubator programme to strengthen the pipeline of future strategic partners.	SF worked closely with the founding team of M-KOPA and d.light to develop their growth strategy into new markets.	1 million people have benefited from M-KOPA's PAYG solar home system. In 2015, they secured \$19 million of funding, and won the Zayed Future Energy Prize Award in the SME category. d.light has improved 50 million lives in over 62 countries and saved four million tonnes of CO2 with their affordable solar energy solutions.	Help SF's social enterprise partners to build new partnerships that expand distribution networks and create market awareness to improve access to modern energy products.
	SF provided extensive business support to build the organisational capacity of specialist intermediaries; Dharma Life (rural supply chain), responsAbility (working capital), Intellegrow (debt finance), and Factor (E) (early stage tech development).	Dharma Life grew the rural network to 4,200 entrepreneurs across 7 states in India. Also, responsAbility successfully launched a \$30million Energy Access Fund, which aims to improve 20 million lives through providing working capital to energy manufacturers to import and distribute their products.	Understand key barriers faced by energy enterprises and co-create new intermediaries to accelerate the growth and scale of impact.
	While scaling Dharma Life, SF identified one bottleneck to their long-term financial viability was the high cost and resources required to execute effective last mile marketing and behaviour campaigns. As a result, SF and DFID has supported the organisation to test a more cost-effective and scalable marketing solution.		

#### Resources expended:

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Grants	8,215	10,135
Direct costs	1,292	1,488
Support costs	1,378	906
<b>Total</b>	<b>10,885</b>	<b>12,529</b>

**Report of the trustees (continued)  
for the year ended 31 December 2015**

**Sustainable Mobility**

This programme focuses on the sustainable movement of people and goods in developing country cities. The health impact of local air pollution, road traffic crashes, high levels of greenhouse gas emissions and an inability to move effectively, are making cities in emerging markets “unliveable” and placing economic growth in jeopardy. 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 suffer particularly from the impacts of congestion and pollution. In 2002, SF co-founded **EMBARQ** that acts as a specialist network of mobility experts, driving the implementation of sustainable urban 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 CO<sub>2</sub> emissions. In 2013 SF co-founded **Smart Freight Centre (SFC)** as a global intermediary in the freight sector to reduce CO<sub>2</sub> emissions and improve fuel efficiency in emerging markets.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Expand EMBARQ’s impact and find more cost efficient ways to catalyse sustainable mobility in cities.	SF provided strategic input into EMBARQ’s new cities and transport programme, and provided them with access to networks to support their work in China.	To date EMBARQ has served 5.8 billion passengers and saved over 4.2 million tonnes of CO <sub>2</sub> emissions. In 2015, they signed new MOUs with two of China’s National Transit Metropolis Cities and developed strategic partnerships with the World Bank, C40 and Bloomberg Philanthropies.	Grow EMBARQ’s global impact by expanding their model to advise cities in Africa, and develop an innovation programme to incubate mobility enterprises that can impact low-income groups in Mexico and India.
Support Smart Freight Centre’s (SFC) mission to build a single freight emissions measurement framework, and increase adoption of fuel efficient technologies to reduce freight emissions at scale.	During 2015, SF and EMBARQ also identified affordability constraints of EMBARQ’s model for some of the world’s poorest cities, pointing to the need for a lower-cost, lighter touch offering.	SFC received industry endorsement for their proposed framework on how to measure emissions in the freight sector. In 2015, they successfully launched a pilot programme in China to help drive adoption of fuel-efficient technologies, and developed a partnership with Beijing Municipality to create a green freight strategy.	Achieve global adoption of the SFC’s accredited framework to calculate and measure emissions in the freight sector, and increase adoption of fuel efficient technologies in China.
Establish commercial viability of Lightning Hybrid’s fuel saving technology to reduce harmful emissions and air pollutants generated from buses and trucks in emerging markets.	SF worked with SFC to develop and execute their China strategy, and also helped them secure additional funding to support their growth plans.  SF connected Lightning Hybrids to key decision makers in Brazil and India that helped them secure pilots to test their technology and consumer demand.	Lightning Hybrids completed a pilot with the Bangalore municipality, and initiated two more pilots in Turkey and Mexico.	To complete the technical and data review from the pilots and assess next steps for Lightning Hybrids.

<b>Resources expended:</b>	<b>2015 \$000</b>	<b>2014 \$000</b>
Grants	2,452	889
Direct costs	254	269
Support costs	452	90
<b>Total</b>	<b>3,158</b>	<b>1,248</b>

## Report of the trustees (continued) for the year ended 31 December 2015

### Sustainable Job Creation

Small and medium-sized enterprises (SMEs) in developing countries struggle to obtain finance from risk-averse local banks as they lack the collateral, track record or skills. Yet the SME sector is absolutely vital to the economic development of poor countries.

Shell Foundation's Sustainable **Job Creation** programme focuses on supporting under-served SMEs in developing countries to drive job creation and economic growth. Shell Foundation has a long-term strategic partnership with GroFin – a specialist financier and developer that 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' as a self-financing driver of inclusive growth.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
Together with GroFin, attract funding into a new long-term SME fund to support job creation in Africa.	SF provided first-loss capital into GroFin's Small and Growing Business Fund (SGB) - a tiered capital structure that helps meet a wider range of investors risk/return expectations supporting the SME sector.	GroFin now provides finance and business support to SMEs across 14 countries in Africa and the Middle East. To date, they have invested US\$235m into nearly 508 businesses, and as a result created and maintained over 20,000 jobs.	SF will continue to provide governance and capacity-building support to maintain GroFin's growth, demonstrate a globally scaleable model for SME growth, and spur investment into SME funds.
Provide governance and advisory support to continue successful scale up of Middle East SME fund (called Nomou).	SF played an active role in supporting the launch of the SGB fund in Uganda and the Nomou fund in Egypt.  SF gained experience on the challenging market conditions for SME funds. The low risk-high return threshold of most investors has demonstrated a need to develop tiered financial vehicles using first-loss grant capital to attract much needed capital into the sector.	With support from SF, GroFin's SGB Fund has attracted US\$100m and the Nomou Egypt Fund secured US\$50m, which included investment from the UK Department for International Development (DFID), and German development bank (KfW).	Support expansion of GroFin's model into more African countries and explore opportunities to support the SME sector in Latin America.  Provide ongoing support to help the SGB Fund achieve its target to support over 9,800 under-served entrepreneurs and help create 47,000 sustainable jobs across Africa over the next 10 years.

<b>Resources expended:</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Grants	-	16,270
Direct costs	156	325
Support costs	35	1,293
<b>Total</b>	<b>191</b>	<b>17,888</b>

The lower resources allocated to Job Creation in 2015 reflects a switch by the Foundation to more targeted support focused on continued innovation of the GroFin business model, but with continued (non-grant) programme related investments in GroFin SME funds (not shown above). This evolution in the nature of support is typical of SF's approach to more established partners.

**Report of the trustees (continued)  
for the year ended 31 December 2015**

**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 through the programme.

<i>Objectives</i>	<i>Activities undertaken</i>	<i>Achievements</i>	<i>Future plans</i>
<p>Maintain a limited portfolio of incubator projects that add value to existing programmes or present solution-orientated approaches to issues consistent with SF's mission.</p> <p>Additional funds were assigned to the incubator programme in 2015 (versus 2014) to strengthen the pipeline of future strategic partners.</p>	<p>SF has been seeking to test the concept of a scalable 'rural utility model' to better serve the energy needs of low-income communities. However, through working with a number of businesses SF has also learnt a key barrier to scaling these organisations is access to project finance, and plans to scope new ways to address this issue in 2016.</p> <p>SF identified the need to develop low-cost off-grid cold storage solutions to reduce harvest losses encountered by small holder farmers.</p> <p>SF has been exploring innovative enterprise based solutions to improve access to affordable and safer transport for low-income consumers</p> <p>SF has been exploring opportunities to develop new credit assessment tools that can unlock capital for Energy SMEs and low- income consumers.</p>	<p>In 2015, SF partnered with Absolute Energy to pilot the model of two solar powered rural utilities in Uganda.</p> <p>SF developed a partnership with Inficold and SureChill to develop affordable agricultural cold storage technology solutions without relying on grid power for farmers and SMEs.</p> <p>SF partnered with two early stage businesses; SafeBoda – which is trying to improve the quality of service and safety of the motorbike sector, and Tugende with a 'lease to own motorbike model' that aims to improve drivers' income.</p> <p>In 2015, SF developed a partnership with Lendable, and LendEnable to test two credit assessment tools aimed at reducing the time it takes to secure investment into SMEs.</p>	<p>Following the results of these pilots, SF will use the learnings to inform the access to energy and sustainable mobility strategy.</p> <p>Maintain support to current pilot partners, identify innovative businesses, and develop long-term partnerships to scale a handful of new solutions.</p> <p>Continue developing an active pipeline of portfolio incubator projects.</p>

<b>Resources expended:</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Grants	3,268	1,644
Direct costs	418	146
Support costs	526	139
<b>Total</b>	<b>4,212</b>	<b>1,929</b>

## Report of the trustees (continued) for the year ended 31 December 2015

### Key Performance Indicators

#### Performance Analysis

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

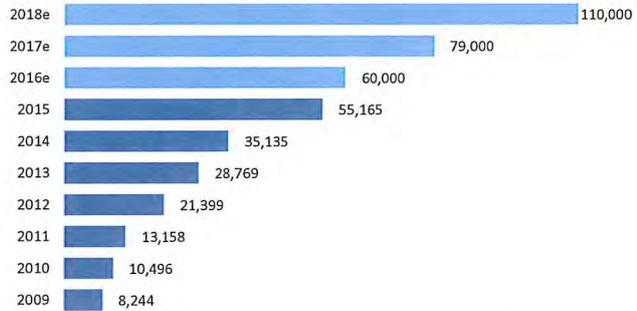
#### Partner Performance

From the outset we support partners to define a few key metrics specific to their own enterprise. Wherever possible, we draw upon independent monitoring and evaluation to validate reported data. Our partners track and measure a wide variety of development outcomes including:

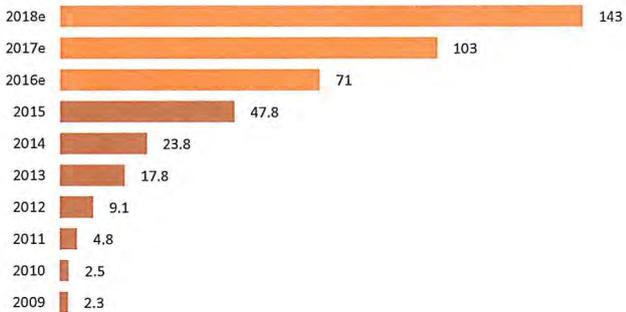
- low-income customers served, e.g. through product sales or bus ridership;
- environmental benefit, e.g. reductions in emissions or water usage;
- economic benefit, e.g. jobs created, earnings increased, money saved;
- social benefit, e.g. improved health or time saving.

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

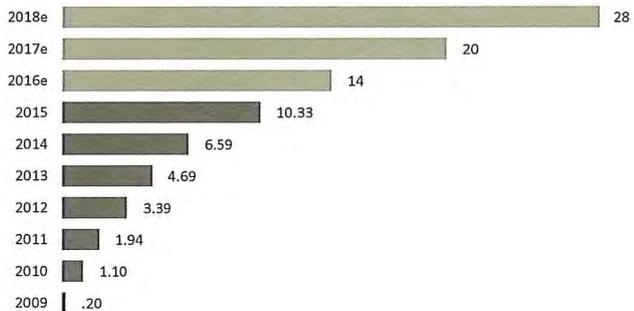
*Jobs created through SME growth*



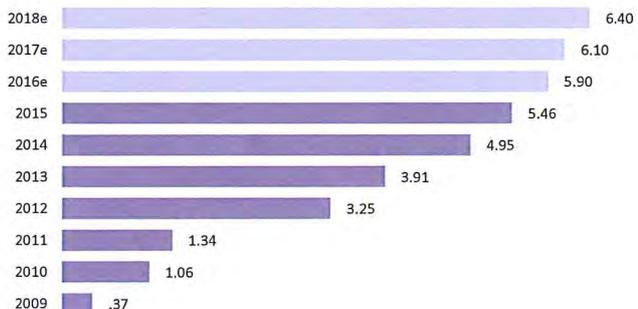
*Livelihoods improved (mln)*



*Carbon reductions (mln tonnes)*



*Leverage (bln USD)*



## Report of the trustees (continued) for the year ended 31 December 2015

Details of all grants awarded in the year ended 31 December 2015 are listed in the table below. The balance on the grants committed but not paid as at 31 December 2015 will be payable in subsequent financial years (see notes 4, 15 and 16).

<u>Programme</u>	<u>Grantee</u>	<u>Total Funding \$000</u>	
Sustainable Mobility	Stichting Smart Freight Centre <i>Growth Funding</i>	1,252	
	World Resources Institute <i>Sustainable Mobility Programme</i>	1,100	
	World Resources Institute <i>Additional Funding</i>	100	
		<b>2,452</b>	
Access to Energy	Redavia GmbH <i>Rental Solar Farms</i>	1,094	
	BIX Fund Management BV <i>Operational Support</i>	236	
	Sparkmeter Inc <i>Low Cost Smart Meters</i>	1,200	
	SparkMeter Inc <i>Low Cost Smart Meters in Colombia</i>	177	
	Global Off-Grid Lighting Association <i>Building Core Capacity</i>	138	
	Global Off-Grid Lighting Association <i>Contribution to Core Funding</i>	300	
	Social Finance <i>Impact Monetisation</i>	280	
	Gajam Group Limited <i>Scaling Up</i>	2,200	
	Husk Power Systems <i>Turnaround/Rebrand</i>	750	
	Sangam Ventures LLC <i>Establishment of Sangam</i>	1,080	
	First Light Ventures <i>Termination</i>	(380)	
	Equota Energy Corporation <i>Pilot Pricing and B2B Model</i>	300	
	Logistimo India Private Limited <i>Rural Freight Transportation</i>	665	
	Orb Energy <i>Finance for SME Solar Instalations</i>	175	
			<b>8,215</b>

## Report of the trustees (continued) for the year ended 31 December 2015

<u>Programme</u>	<u>Grantee</u>	<u>Total Funding \$000</u>
Incubator	The Nature Conservancy	
	<i>Land Restoration</i>	150
	Tech for Trade	
	<i>3D Printing for Development</i>	125
	Grofin Managers	
	<i>Franchise Model</i>	65
	Intellectap Advisory Services	
	<i>Replication in East Africa</i>	1,000
	Lendable	
	<i>Credit assessment</i>	300
	Crossboundary Energy	
	<i>Finance for Solar in Africa</i>	250
	Impact Investment Partners LLP	
	<i>Piloting LendEnable Credit Assessment Mode</i>	250
	SafeBoda (reg. Guinness Transport)	
	<i>Creating a Mobile App</i>	100
	Absolute Energy Capital	
	<i>Rural Utility</i>	300
	Enterprise Projects Ventures Limited	
	<i>Asset Financing</i>	10
Inficold Inc.		
<i>Off-Grid Cold Storage</i>	200	
The Sure Chill Company Ltd		
<i>Off-Grid Cold Storage</i>	300	
Tugende Limited		
<i>Rent to own Boda Bodas</i>	218	
		3,268
	<b>Total grants awarded in 2015</b>	<b>13,935</b>

*Note: Negative amounts represent a reduction, usually due to the project being completed for less than the grant total originally awarded, or reversal of a previous commitment due to the termination of a grant by mutual agreement.*

## Report of the trustees (continued) for the year ended 31 December 2015

### Financial Review

#### Financial Activities

The Statement of Financial Activities is included with the financial statements on page 20.

#### Principal 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 2015, and agreed 'in principle' to funding beyond this in the event that the endowment does not generate sufficient income for the Foundation to achieve its objectives and maintain impact. Restricted donations totalling US\$2m were received from DFID and OFID enabling the Foundation to amplify its programme delivery.

#### 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 sufficient bank balances to meet payments due in the next three months. This level will be maintained by liquidating endowment assets as and when required. The reserve policy is reviewed at least annually. There was a sufficient level of cash at the year end to meet the minimum unrestricted reserves requirement of US\$12m.

At the year end the restricted funds were in deficit due to timing differences between recognition of income and expenditure commitments. These deficits will be reduced when income is received from donors on completion of agreed partner milestones.

#### 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 partially hedged back to the Foundation's functional currency of US Dollars (by the investment manager) through the use of forward foreign exchange contracts.

In 2015 capital markets were volatile and investment performance was marginally negative for Shell Foundation's investment portfolio. Overall, total portfolio performance came in at -1.8%. The returns of the various asset classes showed a mixed picture.

With a return of -1.8%, the Foundation's overall investment portfolio performance performed slightly better than the benchmark, which returned -2.2%. The total return on the equity portfolio was -3.3%. The equity portfolio is invested in securities in Europe, North America, the Pacific Rim and Emerging Markets. The approach is passive, wherein the indices designed by Morgan Stanley Capital International (MSCI) are replicated. Emerging Market equities were very weak, with a total return of -14.8%, partly as a result of negative currency movements. Europe and North America also showed moderately negative total returns in USD. The Pacific Rim region was the only region with a moderately positive total return.

The fixed income portfolio showed a small positive return of 0.5%, outperforming the fixed income index slightly. The portfolio is invested in sovereign securities in the global pool, as well as credit instruments in the credit pool. The Foundation also holds 25% of its fixed income portfolio in very short dated US treasury paper in order to make the overall fund less sensitive to interest rate increases in the US. The low return is a reflection of the very low interest rates in the US and in the rest of the world.

## Report of the trustees (continued) for the year ended 31 December 2015

### Financial Review (continued)

#### Endowment Investment Policy and Performance (continued)

The hedge fund portfolio returned 1.4%, outperforming its benchmark by 0.8%, mainly as a result of the strong performance of multi-strategy funds and relative value funds. The objective of the hedge fund portfolio is to avoid directional market exposures.

The Foundation also holds programme related investments, which are held to further our charitable aims and, at the same time, potentially achieve a financial return.

#### Plans for Future Periods

See the review of achievements and performance on pages 8 to 11 for details of future plans.

#### Principal Risks and Uncertainties

The trustees have identified the major risks to which the Foundation is exposed. The level of exposure for each risk is assessed by considering the likelihood of occurrence, the potential consequences of occurrence and the effectiveness of existing controls in place to mitigate the risk. The trustees review these assessments at least twice a year, at their board meetings. None of the key risks is currently regarded as posing an unacceptable residual exposure.

These risks include:

**Staffing:** retaining and attracting suitably experienced professionals that can add more-than-the-money to help our strategic partners grow to scale and deliver our charitable objectives. This risk is managed through good staff planning, competitive remuneration structure benchmarked and aligned with industry, and attracting high quality secondees from the Shell group. The Foundation has filled its critical vacancies and been successful in attracting talented individuals in recent recruitment exercises.

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

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

**Financial Risk:** The long-term financial independence of the Foundation depends on the performance of the endowment fund. In response to this risk, the trustees implemented new investment objectives in 2011. Volatility will remain in the value of the fund due to a relatively high equity exposure targeting long term capital growth. The Trustees also secured agreement from the member to provide additional 'top-up' unrestricted donations until at least 2016 in the event that the endowment does not generate sufficient returns to achieve the Foundation's objectives and maintain impact.

The Foundation also has programme related investments where funding has been provided by way of social investment rather than grant. The key financial risk associated with these investments is cash flow risk around the size, timing and reliability of returns. This cash flow risk is mitigated by regular monitoring of the investments and taking a prudent approach with respect to these returns in our cash flow forecasting.

#### 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.

## Report of the trustees (continued) for the year ended 31 December 2015

### Independent Auditors (continued)

PricewaterhouseCoopers LLP accordingly shall continue as Independent Auditors of Shell Foundation pursuant to section 487(2) of the Companies Act 2006. In accordance with the Companies Act 2006, any Member or the Auditors may require the report and financial statements to be laid before a general meeting by depositing a notice to that effect at the registered office of the Foundation not later than 28 days after the despatch of the financial statements and reports to Members.

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

A handwritten signature in blue ink, appearing to read 'M Brinded', with a long horizontal flourish underneath.

**Mr Malcolm Brinded, CBE**  
**Trustee**

*13* July 2016

## ***Independent auditors' report to the members of Shell Foundation***

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, Shell Foundation's group financial statements and parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2015 and of the group's incoming resources and application of resources, including its income and expenditure and of the group's and parent charitable company's 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.
- 

#### **What we have audited**

The financial statements, included within the Report of the Trustees and Financial Statements (the "Annual Report"), comprise:

- the consolidated balance sheet as at 31 December 2015;
- the consolidated statement of financial activities and consolidated income and expenditure account for the year then ended;
- the cash flow statement and consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

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### **Opinion on other matter prescribed by the Companies Act 2006**

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

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### **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 by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **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.

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## 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, 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 International Standards on Auditing (UK and Ireland) ("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 and trustees 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.

### What an audit of financial statements involves

We conducted our audit in accordance with 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 group's and the parent 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.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



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

[Date] 13 July 2016

- (a) The maintenance and integrity of the Shell Foundation's website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Consolidated statement of financial activities for the year ended 31 December 2015

Company Registered Number: 4007273

	Note	Unrestricted Funds 2015 \$000	Restricted Funds 2015 \$000	Endowment Funds 2015 \$000	Total Funds 2015 \$000
<b>Income and endowments from</b>					
- Donations	2	6,000	1,978	-	7,978
- Conversion of convertible grant	2	1,532	-	-	1,532
- Donated services	2	605	-	-	605
- Investments	3	-	-	7,555	7,555
<b>Total Incoming Resources</b>		<b>8,137</b>	<b>1,978</b>	<b>7,555</b>	<b>17,670</b>
<b>Expenditure on</b>					
<b>Raising funds</b>					
Investment management costs		-	-	(387)	(387)
<b>Total Cost of Raising Funds</b>		<b>-</b>	<b>-</b>	<b>(387)</b>	<b>(387)</b>
<b>Charitable Activities</b>					
- Access to Energy		(9,608)	(1,277)	-	(10,885)
- Sustainable Mobility		(3,158)	-	-	(3,158)
- Sustainable Job Creation		(182)	(9)	-	(191)
- Incubator		(3,674)	(538)	-	(4,212)
- Policy and Advocacy		(159)	-	-	(159)
- Other		-	-	-	-
<b>Total Charitable Activities</b>	5	<b>(16,781)</b>	<b>(1,824)</b>	<b>-</b>	<b>(18,605)</b>
<b>Total Resources Expended</b>		<b>(16,781)</b>	<b>(1,824)</b>	<b>(387)</b>	<b>(18,992)</b>
<b>Net income/(expenditure) before transfers</b>		<b>(8,644)</b>	<b>154</b>	<b>7,168</b>	<b>(1,322)</b>
Transfers between funds		21,513	-	(21,513)	-
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>		<b>12,869</b>	<b>154</b>	<b>(14,345)</b>	<b>(1,322)</b>
<b>Net gains/(losses) on investments</b>					
Realised gains on the revaluation and disposal of investment assets		-	-	9,614	9,614
Unrealised gains on the revaluation and disposal of investment assets		-	-	(24,926)	(24,926)
<b>Net Movement in Funds</b>		<b>12,869</b>	<b>154</b>	<b>(29,657)</b>	<b>(16,634)</b>
Restated fund balances brought forward at 1 January		16,598	(5,390)	472,495	483,703
<b>Fund balances carried forward at 31 December</b>		<b>29,467</b>	<b>(5,236)</b>	<b>442,838</b>	<b>467,069</b>

The Foundation has elected to take the exemption under section 48 of the Companies Act 2006 not to present the Foundation statement of financial activities. The Foundation's net movement in funds in 2015 was US\$16,634k loss. All incoming resources, resources expended and resulting net movements in funds were derived from continuing activities.

The accompanying notes form part of these financial statements.

## Consolidated statement of financial activities for the year ended 31 December 2014

	Note	Unrestricted Funds 2014 \$000	Restricted Funds 2014 \$000	Endowment Funds 2014 \$000	Restated Total Funds 2014 \$000
<b>Income and endowments from</b>					
- Donations	2	6,000	18,851	-	24,851
- Conversion of convertible grant	2	-	-	-	-
- Donated services	2	-	-	-	-
- Investments	3	-	-	6,269	6,269
<b>Total Incoming Resources</b>		<b>6,000</b>	<b>18,851</b>	<b>6,269</b>	<b>31,120</b>
<b>Expenditure on</b>					
<b>Raising funds</b>					
Investment management costs		-	-	(331)	(331)
<b>Total Cost of Raising Funds</b>		<b>-</b>	<b>-</b>	<b>(331)</b>	<b>(331)</b>
<b>Charitable Activities</b>					
- Access to Energy		(10,279)	(2,250)	-	(12,529)
- Sustainable Mobility		(1,248)	-	-	(1,248)
- Sustainable Job Creation		(4,118)	(13,770)	-	(17,888)
- Incubator		(1,929)	-	-	(1,929)
- Policy and Advocacy		(676)	-	-	(676)
- Other		(473)	-	-	(473)
<b>Total Charitable Activities</b>	5	<b>(18,723)</b>	<b>(16,020)</b>	<b>-</b>	<b>(34,743)</b>
<b>Total Resources Expended</b>		<b>(18,723)</b>	<b>(16,020)</b>	<b>(331)</b>	<b>(35,074)</b>
<b>Net income/(expenditure) before transfers</b>		<b>(12,723)</b>	<b>2,831</b>	<b>5,938</b>	<b>(3,954)</b>
Transfers between funds		16,669	-	(16,669)	-
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>		<b>3,946</b>	<b>2,831</b>	<b>(10,731)</b>	<b>(3,954)</b>
<b>Net gains/(losses) on investments</b>					
Realised gains on the revaluation and disposal of investment assets		-	-	16,231	16,231
Unrealised gains on the revaluation and disposal of investment assets		-	-	(5,883)	(5,883)
<b>Net Movement in Funds</b>		<b>3,946</b>	<b>2,831</b>	<b>(383)</b>	<b>6,394</b>
Restated fund balances brought forward at 1 January		12,652	(8,221)	478,878	477,309
<b>Fund balances carried forward at 31 December</b>		<b>16,598</b>	<b>(5,390)</b>	<b>472,495</b>	<b>483,703</b>

## Consolidated income and expenditure account for the year ended 31 December 2015

	2015 \$000	2014 \$000
Income	10,115	24,851
Gains/(losses) on investments	(15,312)	10,348
Interest and investment income	7,555	6,269
<b>Gross income in the reporting period</b>	<b>2,358</b>	<b>41,468</b>
Expenditure	(18,992)	(35,074)
<b>Total expenditure</b>	<b>(18,992)</b>	<b>(35,074)</b>
<b>Net (deficit) of income over expenditure for the year</b>	<b>(16,634)</b>	<b>6,394</b>

## Consolidated balance sheet as at 31 December 2015

		Group 2015 \$000	Restated Group 2014 \$000	Foundation 2015 \$000	Restated Foundation 2014 \$000
	Note				
<b>Fixed Assets</b>					
Endowment	10	442,866	472,523	442,866	472,523
Programme related investments	11	20,938	10,024	20,938	10,024
Subsidiary undertakings	12	-	-	3,991	-
<b>Total Fixed Assets</b>		<b>463,804</b>	<b>482,547</b>	<b>467,795</b>	<b>482,547</b>
<b>Current Assets</b>					
Debtors	13	7,493	12,370	7,493	12,370
Cash at bank and in hand	14	18,031	15,305	14,031	15,305
Programme related investments	11	3,317	1,402	3,317	1,402
<b>Total Current Assets</b>		<b>28,841</b>	<b>29,077</b>	<b>24,841</b>	<b>29,077</b>
Creditors: amounts falling due within one year	15	(20,827)	(20,829)	(20,818)	(20,829)
<b>Net Current Assets</b>	18	<b>8,014</b>	<b>8,248</b>	<b>4,023</b>	<b>8,248</b>
<b>Total Assets less Current Liabilities</b>		<b>471,818</b>	<b>490,795</b>	<b>471,818</b>	<b>490,795</b>
Creditors: amounts falling due after more than one year	16	(4,749)	(7,092)	(4,749)	(7,092)
<b>Net Assets</b>		<b>467,069</b>	<b>483,703</b>	<b>467,069</b>	<b>483,703</b>
<b>The funds of the Foundation:</b>					
Endowment Funds	17	385,833	400,181	385,833	400,181
Fair value revaluation reserve	17	57,005	72,315	57,005	72,315
Restricted income Funds	17	(5,236)	(5,391)	(5,236)	(5,391)
Unrestricted income Funds	17	29,467	16,598	29,467	16,598
<b>Total Foundation Funds</b>		<b>467,069</b>	<b>483,703</b>	<b>467,069</b>	<b>483,703</b>

The accompanying notes form part of these financial statements.

The financial statements on pages 18 to 42 were approved by the trustees and signed on their behalf by:

  
**Mr Malcolm Brinded, CBE**  
 Trustee  
 13 July 2016

## Cash flow statement and consolidated cash flow statement for the year ended 31 December 2015

	Note	Group 2015		Group 2014		Foundation 2015		Foundation 2014	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Net cash used in operating activities</b>	19		<b>(5,958)</b>		<b>(18,829)</b>		<b>(5,958)</b>		<b>(18,829)</b>
<b>Cash flow from investing activities</b>									
Cash expended on endowment fund fees		(387)		(312)		(387)		(312)	
Investment Income – unrestricted and restricted		-		-		-		-	
Investment income from endowment funds		7,571		6,319		7,571		6,319	
<i>Endowment Fund</i>	10								
Purchase of investments		(68,636)		(125,751)		(68,636)		(125,751)	
Sale of investments		80,921		135,572		80,921		135,572	
Income received (paid) on derivatives		(664)		5,477		(664)		5,477	
Loss on foreign exchange		(990)		(24)		(990)		(24)	
Decrease (Increase) in investment cash		3,698		(4,612)		3,698		(4,612)	
<i>Programme related investments</i>	11								
Purchase of programme related investments		(14,231)		(3,047)		(14,231)		(3,047)	
Sale of programme related investments		1,402		945		1,402		945	
Investment in subsidiary						(4,000)			
<b>Net cash from investing activities</b>			<b>8,684</b>		<b>14,567</b>		<b>4,684</b>		<b>14,567</b>
<b>Cash flow from financing activities</b>									
Transfer out from endowment fund		(21,513)		(16,669)		(21,513)		(16,669)	
Transfer in to unrestricted funds		21,513		16,669		21,513		16,669	
<b>Net cash used in financing activities</b>			<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>
<b>Net increase in cash and cash equivalents</b>			<b>2,726</b>		<b>(4,262)</b>		<b>(1,274)</b>		<b>(4,262)</b>
Cash and cash equivalents at the beginning of the year			15,305		19,567		15,305		19,567
<b>Cash and cash equivalents at the end of the year</b>			<b>18,031</b>		<b>15,305</b>		<b>14,031</b>		<b>15,305</b>

The accompanying notes form part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2015

### 1 Summary of Significant Accounting Policies

#### General Information

Shell Foundation ('the Foundation') and its subsidiary, SF Investment Management Limited (together 'the Group') is an independent charity established by the Shell Group in 2000 to create and scale new solutions to global development challenges. We apply business thinking to major social and environmental issues linked to the energy sector – and seek to leverage the skills and networks of Shell where possible to deliver greater development impact. The company is a private company limited by guarantee and is incorporated in England. The address of its registered office is Shell Centre, York Road, London, SE1 7NA.

#### Statement of compliance

The financial statements are prepared in accordance with the 'Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102)', effective 1 January 2015, and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The accounting policies have been applied consistently, other than where new policies have been adopted in accordance with the Charities Act 2011.

#### Basis of Preparation

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

The Trustees are assured of the Foundation's ability to continue on a going concern basis due to the liquid nature of the large endowment – the fund is sufficient to cover 20 years of expenditure at the current planned rate of around \$20 mln per annum for unrestricted funds.

#### Reconciliation of group funds and balances

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102, the restatement of comparative items was required.

At the date of transition, in applying the requirement to recognised liabilities arising from employee benefits, an additional liability of US\$0.4m was recognised for performance share plan costs. No other restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided.

	31 December 2014 \$000
<b>Fund balances as previously stated</b>	484,073
Performance share plan expenses	(370)
<b>Restated Foundation funds for 2014</b>	<b>483,703</b>

#### Basis of consolidation

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

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 1 Accounting Policies (continued)

#### Foreign currency

##### *Functional and presentation currency*

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

The Foundation's functional and presentational currency is the US dollar.

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

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the average monthly rate in which the transaction occurred.

At each period end, foreign currency monetary items are translated using the closing exchange rate. The exchange rate used at the year end to translate Sterling (GBP) to US Dollars (US\$) was GBP/US\$ 1.4828 (2014 was GBP/US\$ 1.6466).

#### Fund Accounting

Funds held by the Foundation are either:

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

#### Income and endowments

Donations and investment income are included in the Statement of Financial Activities when the Foundation is legally entitled to the income, receipt is probable and its amount can be measured reliably. Restricted donations include government grants as detailed further in Note 2. Donated services, if applicable, are included in income at a valuation, which is an estimation of the value to the Foundation. Donated services of US\$0.6m were received in 2015.

Investment income arising from expendable endowment fund investments is added to endowment funds. This reflects the fact that the income is currently reinvested, in accordance with the investment strategy.

#### Expenditure

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 2015

### 1 Accounting Policies (continued)

#### Costs of Raising Funds

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

#### Charitable Activities

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

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

Within support costs are costs for the strategic running of the Foundation itself as an organisation, as distinct from directly pursuing its charitable activities including such items as external audit, legal advice for trustees and costs associated with constitutional and statutory requirements. Indirect costs include a proportion of management (and other staff) time spent on strategic activities, together with donated overhead costs.

#### Value Added Tax ('VAT')

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

#### 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 and Euros. All realised and unrealised gains and losses on exchange are reflected in the Statement of Financial Activities.

#### Investments

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

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

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 1 Accounting Policies (continued)

#### Financial assets

##### (i) Classification

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

##### 1. Financial assets at fair value through the SOFA

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

##### 2. Loans and receivables

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

##### (ii) Recognition and measurement

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

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

#### Financial Instruments

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

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 1 Accounting Policies (continued)

#### Financial liabilities

##### (i) Classification

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

##### 1. Financial liabilities at fair value through the SOFA

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

##### 2. Financial liabilities at amortised cost

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

##### (ii) Recognition and measurement

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

#### Investment in subsidiaries and participating undertakings

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

The Foundation had significant influence in an associate entity, Stichting Smart Freight Centre (SFC), with a 33% voting position on the Board. SFC has no equity or shares. The Shell Foundation share of net assets is EUR€60k, and therefore equity accounting has not been applied as the amount is not considered material. Further information on the activity of SFC during the year is provided in the Sustainable Mobility section of the Report of the Trustees.

#### Cash and cash equivalents

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

#### Critical accounting judgements and estimation uncertainty

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

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 2 Donations and other income

	2015 \$000	2014 \$000
<b>Cash</b>		
<i>Unrestricted</i>		
Shell Trading International Ltd	6,000	6,000
Shell International Ltd – donated services	605	-
<i>Restricted – Non-government related</i>		
Shell Trading International Ltd	-	14,000
JP Morgan	-	(230)
<i>Restricted donation – Government related</i>		
Department for International Development	1,478	3,511
OPEC Fund for International Development	500	900
Inter-American Development Bank	-	670
<b>Conversion of grant</b>		
<i>Unrestricted</i>		
Envirofit Inc	1,532	-
	<b>10,115</b>	<b>24,851</b>

The geographical markets donations were received from: United Kingdom US\$8m (2014: US\$23.3m), worldwide US\$0.5m (2014: US\$0.9m) and United States of America US\$1.5m (2014: US\$0.7m).

#### *Restricted donations – Non-government related*

**Shell Trading International Ltd** - a restricted donation to Shell Foundation in aggregate for up to US\$33m for sustainable job creation in the Middle East and North Africa (MENA) region, one of the key regional development challenges, through a focused and scalable Small and Medium-sized Entities (SME) Fund. Any proceeds are reinvested in perpetuity with no repayment to the Foundation. US\$4.7m cash was received in 2015 for donations already recognised in prior years.

#### *Restricted donations – government related*

##### **Department for International Development –**

**NEADM (new applications and delivery models):** The UK will provide £4.485 million (approximately US\$6.7m) to support a four year programme to develop new, innovative clean energy products and business models specifically for poor people in Africa and Asia. Donations of US\$526k were received and recognised in 2015 against this programme.

**Nomou (meaning growth in Arabic):** DFID grant funding of £4.45 million will contribute 50% of Nomou's operating and advisory costs in Egypt and Jordan. The Project will assist start-up and growing small and medium-sized enterprises in Egypt and Jordan through the delivery of business support services, medium-term risk capital, and support for market linkages. Donations of US\$952k were received and recognised in 2015 against this programme.

**OPEC Fund for International Development –** the objective of this project is to improve access to efficient cooking stoves in Sub-Saharan Africa and in Latin America. OFID has provided funding of US\$1m in total. Donations of US\$500k were received and recognised during 2015 against this programme.

**Inter-American Development Bank –** IADB will make available up to US\$1m to accelerate social impact enterprises in Latin America and the Caribbean through the Shell Foundation incubation/scale-up methodology. The donation will target innovative market-based solutions in energy and sustainable infrastructure for the base of the pyramid population. US\$177k cash was received in 2015 for donations of US\$670k already recognised as being probable in prior years. Further cash will be remitted on completion of certain milestones.

**Notes to the financial statements (continued)  
for the year ended 31 December 2015**

<b>3</b>	<b>Investment income</b>	<b>2015</b>	<b>2014</b>
		<b>\$000</b>	<b>\$000</b>
	Fixed interest securities	496	892
	Dividends	7,059	5,377
		<b>7,555</b>	<b>6,269</b>

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

<b>4</b>	<b>Grants expenditure</b>		Restated
		<b>2015</b>	<b>2014</b>
		<b>\$000</b>	<b>\$000</b>
	Grants awarded brought forward	(25,717)	(24,520)
	Payments	23,150	28,323
	Grants awarded within 1 year	15,929	18,826
	Grants awarded after 1 year	573	6,907
	<b>Grants awarded in the year</b>	<b>13,935</b>	<b>29,536</b>

A full list of grants awarded in the year ended 31 December 2015 is included in the Trustees' Report (pages 12 to 13).

<b>5</b>	<b>Charitable Activities Expenditure by Programme</b>				Restated	
		<b>Grants</b>	<b>Direct costs</b>	<b>Support costs</b>	<b>2015</b>	<b>2014</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
	Access to Energy	(8,215)	(1,292)	(1,378)	<b>(10,885)</b>	(12,529)
	Sustainable Mobility	(2,452)	(254)	(452)	<b>(3,158)</b>	(1,248)
	Sustainable Job Creation	-	(156)	(35)	<b>(191)</b>	(17,888)
	Incubator	(3,268)	(418)	(526)	<b>(4,212)</b>	(1,929)
	Policy and Advocacy	-	(135)	(24)	<b>(159)</b>	(676)
	Other	-	-	-	-	(473)
	<b>Total for 2015</b>	<b>(13,935)</b>	<b>(2,255)</b>	<b>(2,415)</b>	<b>(18,605)</b>	
	Total for 2014	(29,536)	(2,698)	(2,879)		(34,743)

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

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

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 6 Direct and Support Costs

	Direct costs	Support costs	2015	Restated 2014
	\$000	\$000	\$000	\$000
Manpower costs	(1,639)	(1,258)	<b>(2,897)</b>	(4,094)
External services	(283)	(22)	<b>(305)</b>	(284)
Communications	(41)	(33)	<b>(74)</b>	(198)
Travel	(425)	(95)	<b>(520)</b>	(494)
Training	-	(44)	<b>(44)</b>	(40)
External audit fees (inclusive of VAT)	-	(79)	<b>(79)</b>	(54)
Legal fees	-	(5)	<b>(5)</b>	-
Donated overhead expenses	-	(605)	<b>(605)</b>	-
Trustee expenses	-	(14)	<b>(14)</b>	(9)
Sundry	-	(116)	<b>(116)</b>	(143)
Exchange gain/loss	133	(144)	<b>(11)</b>	109
<b>Total</b>	<b>(2,255)</b>	<b>(2,415)</b>	<b>(4,670)</b>	<b>(5,207)</b>

External service costs are those paid directly to a third party supplier for services (including professional fees and consultancy) rather than being paid via a grantee intermediary. Direct costs for external services shows costs at the project level, support costs are Foundation-wide. Within external services for 2015, there were no payables made to Shell Group companies on normal business terms (2014: US\$94,493).

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

### 7 Trustee Information

No trustee received any remuneration from the Foundation during the year. The Foundation directly incurred or reimbursed travel expenses in relation to three trustees totalling US\$13,852 (2014: US\$8,523 in relation to two trustees).

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

### 8 Employee Information

As an independent charity, Shell Foundation benefits in a number of ways from leveraging its links to Shell Group to achieve its mission and objectives. One example of this is with respect to staffing. The Foundation has no direct employees. Instead, employees of Shell Group companies are dedicated to work full-time for the Foundation in sole pursuit of its charitable objectives. Their remuneration is based on The Shell Group Global Pay Policy and their performance is assessed against pre-determined personal targets concerning their work for the Foundation as well as their wider contribution to meeting the Foundation's overall charitable mission. The monthly average staff employed by Shell Group companies to work for the Foundation during the year was 13.9 (2014: 13.6). The monthly average split of employees between direct and support activities was direct 6.1 (2014: 5.9) and support 7.8 (2014: 7.7).

Manpower expenditure included in Direct and Support costs (note 6) 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:

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 8 Employee Information (continued)

	2015 \$000	2014 \$000
Wages and salaries	(1,968)	(2,181)
Social security	(304)	(423)
Other pension costs	(193)	(214)
Performance Share Plan (PSP)	(185)	(185)
	<b>(2,650)</b>	<b>(3,003)</b>

#### Share-based compensation plans

The principal share-based employee compensation plan applied under The Shell Group Global Pay Policy to Shell Foundation staff is the PSP. Awards of Royal Dutch Shell plc shares under the PSP are granted to eligible Foundation employees based on performance. The actual amount of shares that may vest ranges from 0% to 200% of the awards, depending on the outcomes of prescribed performance conditions over a three-year period beginning on 1<sup>st</sup> January of the award year. Shares vest for nil consideration. The cash value of the awards is charged to The Foundation on vesting. The Foundation has estimated and recognised a liability of \$370,700 at the year-end for PSPs granted between 2013 and 2015 that vest in future years.

The salary and taxes paid by Shell Group companies in relation to key management personnel, consisting of the Director, Chief Financial Officer and 2 Deputy Directors, are as follows:

	2015 \$000	2014 \$000
Wages and salaries	(1,000)	(770)
Social security	(141)	(167)
Other pension costs	(111)	(93)
Vesting performance share plan options	(185)	(185)
	<b>(1,437)</b>	<b>(1,215)</b>

The number of Shell Group employees working on Foundation activities whose emoluments were above USD 90,000 is as follows.

USD \$000	2015	2014
90 – 105	1	2
105 – 120	-	1
120 – 135	-	1
135 – 150	2	2
150 – 165	1	-
165 – 180	2	1
195 – 210	1	1
225 – 240	1	-
255 – 270	-	1
285 – 300	-	1
300 – 315	1	-
360 – 375	-	1
	<b>9</b>	<b>11</b>

Shell Group companies made contributions during the year to a defined benefit pension scheme of US\$234k in relation to these 9 employees (2014: US\$389k in relation to eleven employees).

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 9 Taxation

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

### 10 Endowment

	2015 \$000	2014 \$000
<b>Market value at 1 January</b>	472,523	472,906
Purchase of investments	68,636	131,132
Sales/withdrawals	(80,921)	(152,571)
Realised gains	11,268	17,123
Unrealised (losses)/gains	(24,942)	(5,883)
Movement of investment cash	(3,698)	9,816
<b>Market value at 31 December</b>	<b>442,866</b>	<b>472,523</b>

The year end value is analysed as:	2015 \$000	2014 \$000
Fixed income investments – UK	8,431	10,105
Fixed income investments – overseas	103,131	126,988
Equity investments – UK	23,697	25,275
Equity investments – overseas	255,308	252,438
Hedge funds – overseas	47,079	46,364
Forward foreign currency contracts	1,195	3,719
Other assets	696	606
Investment cash	3,302	7,000
Cash invested in institutional cash funds	27	28
<b>Market value at 31 December</b>	<b>442,866</b>	<b>472,523</b>

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 foreign currency exposure of the investment portfolio is hedged by the fund managers through the use of forward foreign exchange contracts. The mandate is to hedge 100% of non-US Dollar denominated bonds and 100% of non-US Dollar hedge fund investments. At the year end just under 22% of bonds and 0% of hedge fund investments were non-US Dollar.

The investment portfolio included a single US bond with the value of US\$28.1m (6.1% of the total investment portfolio). No other individual asset within the investment portfolio had a value greater than 5% of the investment portfolio.

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 11 Programme related investments

	Group 2015 \$000	Group 2014 \$000	Foundation 2015 \$000	Foundation 2014 \$000
<b>Current</b>				
<b>Envirofit Inc shareholding</b>				
Envirofit is a social enterprise designing, producing, and selling efficient, durable and affordable cookstoves that create environmental, health, and social impacts for homes and institutions in developing nations. Shell Foundation holds 22.1% of the outstanding shares of Envirofit International Inc as at year end, however these are expected to be diluted in the first half of 2016 by a \$3 million FMO investment in Envirofit and concurrent redemption of \$1 million Shell Foundation shareholding.				
Fair value brought forward at 1 January	-	-	-	-
Purchases	1,000	-	1,000	-
Sales	-	-	-	-
<b>GroFin Africa Fund</b>				
Start-up and growing businesses with investment needs from US\$ 50,000 to US\$ 1.5 million. Locations: Nigeria, Ghana, Rwanda, Tanzania, Uganda, Kenya, South Africa, Zambia. Investors: AFDB, EIB, Shell Foundation FMO, CDC, Norfund, FISEA, IFC, GroFin. Total fund size \$170 million.				
Cost less impairment brought forward at 1 January	1,402	945	1,402	945
Movement from non current to current	2,317	1,402	2,317	1,402
Purchases	-	-	-	-
Sales	(1,402)	(945)	(1,402)	(945)
<b>Total Current Programme Related Investments</b>	<b>3,317</b>	<b>1,402</b>	<b>3,317</b>	<b>1,402</b>

Notes to the financial statements (continued)  
for the year ended 31 December 2015

11 Programme related investments (continued)

	Group 2015 \$000	Group 2014 \$000	Foundation 2015 \$000	Foundation 2014 \$000
<b>Non Current</b>				
<b>Envirofit Inc shareholding</b>				
Envirofit is a social enterprise designing, producing, and selling efficient, durable and affordable cookstoves that create environmental, health, and social impacts for homes and institutions in developing nations. Shell Foundation holds 22.1% of the outstanding shares of Envirofit International Inc as at year end, however these are expected to be diluted in the first half of 2016 by a \$3 million FMO investment in Envirofit and concurrent redemption of \$1 million Shell Foundation shareholding.				
Fair value brought forward at 1 January	-	-	-	-
Purchases	4,531	-	4,531	-
Sales	-	-	-	-
<b>GroFin Africa Fund</b>				
Start-up and growing businesses with investment needs from US\$ 50,000 to US\$ 1.5 million. Locations: Nigeria, Ghana, Rwanda, Tanzania, Uganda, Kenya, South Africa, Zambia. Investors: AFDB, EIB, Shell Foundation FMO, CDC, Norfund, FISEA, IFC, GroFin. Total fund size \$170 million.				
Cost less impairment brought forward at 1 January	10,024	8,379	10,024	8,379
Movement from non current to current	(2,317)	(1,402)	(2,317)	(1,402)
Purchases	-	3,047	-	3,047
Sales	-	-	-	-
<b>GroFin Small Growing Businesses Fund</b>				
A unique integrated solution of patient risk capital (US\$ 100 000 - US\$ 1.5 million) and end-to-end business support to start-up and growing businesses. Locations: Nigeria, Ghana, Zambia, Egypt, South Africa, Kenya, Tanzania, Rwanda, Uganda. Investors: Shell Foundation, KfW Development Bank, GroFin, the Dutch Good Growth Fund (DGGF), Norfund, Scholl Foundation, Calvert. Total fund size \$150 million.				
Cost less impairment forward at 1 January	-	-	-	-
Purchases	4,800	-	4,800	-
Sales	-	-	-	-
<b>responsAbility Energy Access Fund</b>				
The fund is dedicated to providing debt financing to fast-growing companies which promote access to decentralized modern energy solutions, primarily in Africa and Asia. Investors: Shell Foundation, a founding partner, is also a co-investor along with anchor investor IFC and other private investors including Skopos Impact Fund and The Adolf H. Lundin Charitable Foundation. Total fund size \$30 million.				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	2,000	-	2,000	-
Sales	-	-	-	-
<b>Lightning Hybrids Inc loan receivable</b>				
Lightning Hybrids provide hydraulic hybrid regenerative braking drive systems for fleet vehicles such as buses and delivery trucks that generates better fuel economy, increased power, and reduced harmful emissions. The loan is repayable on or before 31 <sup>st</sup> January 2025.				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	1,500	-	1,500	-
Sales	-	-	-	-
<b>Redavia loan receivable</b>				
Redavia provide turn-key re-deployable solar farms that reduce reliance on diesel generators and provide low-cost energy, with flexible rental agreements. The loan is repayable in full by 2027.				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	400	-	400	-
Sales	-	-	-	-
<b>Total Non Current Programme Related Investments</b>	<b>20,938</b>	<b>10,024</b>	<b>20,938</b>	<b>10,481</b>
<b>Cost carried forward as at 31 December 2015</b>	<b>24,255</b>	<b>11,426</b>	<b>24,255</b>	<b>11,426</b>

**Notes to the financial statements (continued)  
for the year ended 31 December 2015**

**12 Subsidiary and related undertakings**

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

Name	Country of Incorporation	Nature of business	Interest
SF Investment Management Limited	United Kingdom	Investment management	100% ordinary shares

	Group 2015 \$000	Group 2014 \$000	Foundation 2015 \$000	Foundation 2014 \$000
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**SF Investment Management Limited shareholding**

Commitment to invest with GroFin NOUMOU Iraq Fund: A unique integrated solution of patient risk capital (US\$ 100 000 - US\$ 2 million) and end-to-end business support to start-up and growing businesses in Basra, Iraq. Investors: Shell Foundation and USAID. Total fund size \$33 million.

Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	-	-	4,000	-
Impairment	-	-	(9)	-

<b>Cost carried forward as at 31 December 2015</b>	-	-	<b>3,991</b>	-
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**13 Debtors**

Note	Group 2015 \$000	Group 2014 \$000	Foundation 2015 \$000	Foundation 2014 \$000
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**Current debtors**

*Restricted donations non-government related*

Shell Trading International Ltd	7,000	11,700	7,000	11,700
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*Restricted donations government related*

Inter-American Development Bank	2 493	670	493	670
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<b>Total current debtors</b>	<b>7,493</b>	<b>12,370</b>	<b>7,493</b>	<b>12,370</b>
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**14 Cash at bank and on hand**

	Group 2015 \$000	Group 2014 \$000	Foundation 2015 \$000	Foundation 2014 \$000
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Cash at Bank	18,031	15,305	14,031	15,305
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<b>Total cash at bank and on hand</b>	<b>18,031</b>	<b>15,305</b>	<b>14,031</b>	<b>15,305</b>
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For the purposes of the cash flow statement, cash includes bank balances, other than cash invested in institutional cash funds, which is classified as an investment.

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 15 Creditors: amounts falling due within one year

	Group 2015 \$000	Restated Group 2014 \$000	Foundation 2015 \$000	Restated Foundation 2014 \$000
Grants Payable	15,929	18,810	15,929	18,810
Trade Creditors – Shell International Limited	592	230	592	230
Accruals	4,306	1,789	4,297	1,789
	<b>20,827</b>	<b>20,829</b>	<b>20,818</b>	<b>20,829</b>

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

	Group 2015 \$000	Restated Group 2014 \$000	Foundation 2015 \$000	Restated Foundation 2014 \$000
Total grants payable	16,502	25,717	16,502	25,717
Less amounts falling due within one year (note 15)	(15,929)	(18,810)	(15,929)	(18,810)
<b>Grants payable falling due after more than one year</b>	<b>573</b>	<b>6,907</b>	<b>573</b>	<b>6,907</b>
Accrual for employee benefit	185	185	185	185
Payable to USAID for Nomou Iraq project	3,991	-	3,991	-
<b>Total payables falling due after more than one year</b>	<b>4,749</b>	<b>7,092</b>	<b>4,749</b>	<b>7,092</b>
<b>Represented by:</b>				
Grants payable in greater than one year but less than two years	573	6,907	573	6,907
Accrual for employee benefit	185	185	185	185
USAID payable in greater than five years	3,991	-	3,991	-
	<b>4,749</b>	<b>7,092</b>	<b>4,749</b>	<b>7,092</b>

Notes to the financial statements (continued)  
for the year ended 31 December 2015

17 Funds

Group	Restated Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Transfers \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	472,495	7,555	(387)	(21,513)	(15,312)	442,838
Unrestricted Funds	16,598	8,137	(16,781)	21,513	-	29,467
Restricted Funds	(5,390)	1,978	(1,824)	-	-	(5,236)
	<b>483,703</b>	<b>17,670</b>	<b>(18,992)</b>	<b>-</b>	<b>(15,312)</b>	<b>467,069</b>

Foundation	Restated Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Transfers \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	472,495	7,555	(387)	(21,513)	(15,312)	442,838
Unrestricted Funds	16,598	8,137	(16,781)	21,513	-	29,467
Restricted Funds	(5,390)	1,978	(1,824)	-	-	(5,236)
	<b>483,703</b>	<b>17,670</b>	<b>(18,992)</b>	<b>-</b>	<b>(15,312)</b>	<b>467,069</b>

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

Group	Note	Unrestricted Funds 2015 \$000	Restricted Funds 2015 \$000	Endowment Funds 2015 \$000	Total 2015 \$000	Total 2014 \$000
<b>Fixed Assets</b>						
Investments (at fair value)	10	28	-	442,838	442,866	472,523
Programme related investments (at costs less impairment)	11	20,938	-	-	20,938	10,024
		<b>20,966</b>	<b>-</b>	<b>442,838</b>	<b>463,804</b>	<b>482,547</b>
<b>Current Assets</b>						
Debtors	13	-	7,493	-	7,493	12,370
Cash at bank and on hand	14	16,659	1,372	-	18,031	15,305
Programme Related investments (at cost less impairment)	11	3,317	-	-	3,317	1,402
Creditors: amounts falling due within one year	15	(11,016)	(9,811)	-	(20,827)	(20,829)
<b>Net Current Assets</b>		<b>8,960</b>	<b>(946)</b>	<b>-</b>	<b>8,014</b>	<b>8,248</b>
<b>Total Assets less Current Liabilities</b>		<b>29,926</b>	<b>(946)</b>	<b>442,838</b>	<b>471,818</b>	<b>490,795</b>
Creditors: amounts falling due after more than one year	16	(458)	(4,291)	-	(4,749)	(7,092)
<b>Net Assets</b>		<b>29,468</b>	<b>(5,237)</b>	<b>442,838</b>	<b>467,069</b>	<b>483,703</b>

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 18 Analysis of net assets between funds (continued)

Foundation	Note	Unrestricted	Restricted	Endowment	Total	Total
		Funds	Funds	Funds		
		2015	2015	2015	2015	2014
		\$000	\$000	\$000	\$000	\$000
<b>Fixed Assets</b>						
Investments (at fair value)	10	28	-	442,838	442,866	472,523
Programme related investments (at cost less impairment)	11	20,938	-	-	20,938	10,024
Subsidiary undertakings	12	-	3,991	-	3,991	-
		<b>20,966</b>	<b>3,991</b>	<b>442,838</b>	<b>467,795</b>	<b>482,547</b>
<b>Current Assets</b>						
Debtors	13	-	7,493	-	7,493	12,370
Cash at bank and on hand	14	16,659	(2,628)	-	14,031	15,305
Programme Related investments (at cost less impairment)	11	3,317	-	-	3,317	1,402
Creditors: amounts falling due within one year	15	(11,016)	(9,802)	-	(20,818)	(20,829)
<b>Net Current Assets</b>		<b>8,960</b>	<b>(4,937)</b>	<b>-</b>	<b>4,023</b>	<b>8,248</b>
<b>Total Assets less Current Liabilities</b>		<b>29,926</b>	<b>(946)</b>	<b>442,838</b>	<b>471,818</b>	<b>490,795</b>
Creditors: amounts falling due after more than one year	16	(458)	(4,291)	-	(4,749)	(7,092)
<b>Net Assets</b>		<b>29,468</b>	<b>(5,237)</b>	<b>442,838</b>	<b>467,069</b>	<b>483,703</b>

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

	2015	2015	2014
	Group	Foundation	
	\$000	\$000	\$000
Net movement in unrestricted and restricted funds	13,023	13,023	6,776
Add back non-cash impairment in SFIM	-	9	-
Add back transfer from endowment fund	(21,513)	(21,513)	(16,669)
Increase in net debtors – unrestricted & restricted funds	4,877	4,877	(7,070)
Decrease in net creditors – unrestricted & restricted funds	(2,345)	(2,354)	(1,866)
<b>Net cash used in operating activities</b>	<b>(5,958)</b>	<b>(5,958)</b>	<b>(18,829)</b>

Notes to the financial statements (continued)  
for the year ended 31 December 2015

20 Financial Instruments

The Group and the Foundation have the following financial instruments:

Group and Foundation	Note	2015 \$000	2014 \$000
<b>Financial assets at fair value through the SOFA</b>			
- Endowment	10	442,866	472,906
		<b>442,866</b>	<b>472,906</b>
<b>Financial assets that are debt instrument measured at amortised costs</b>			
- Debtors	13	7,493	12,370
		<b>7,493</b>	<b>12,370</b>
<b>Financial assets that are debt instrument measured at costs less impairment</b>			
- Programme related investment – responsAbility	11	2,000	-
- Programme related investment – Lightning Hybrids Loan	11	1,500	-
- Programme related investment – Redavia Loan	11	400	-
		<b>3,900</b>	<b>-</b>
<b>Financial assets that are equity instrument measured at cost less impairment</b>			
- Programme related investment – Grofin Africa Fund	11	10,024	11,426
- Programme related investment – Grofin SGB Fund	11	4,800	-
- Programme related investment – Envirofit	11	5,531	-
		<b>20,355</b>	<b>11,426</b>
<b>Financial liabilities at fair value through the SOFA</b>			
		-	-
<b>Financial liabilities measured at amortised costs</b>			
- Creditors and accruals	15,16	(25,576)	(27,921)
		<b>(25,576)</b>	<b>(27,921)</b>
<b>Other financial liabilities measured at fair value</b>			
- Contingent consideration	24	(1,500)	(2,500)
		<b>(1,500)</b>	<b>(2,500)</b>

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 20 Derivative financial instruments

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

	Contractual Notional Amount \$000	Fair value	
		Asset \$000	Liability \$000
<b>2015</b>			
Non-hedging instruments			
- Foreign exchange contracts	64,176	1,222	(28)
<b>Total</b>		<b>1,222</b>	<b>(28)</b>
Less: current portion		(1,222)	28
<b>Non-current portion</b>		-	-
<hr/>			
Non-hedging instruments			
- Foreign exchange swaps	-	-	-
<b>Total</b>		-	-
Less: current portion		-	-
<b>Non-current portion</b>		-	-
<hr/>			
<b>2014</b>			
Non-hedging instruments			
- Foreign exchange contracts	94,651	3,897	(178)
<b>Total</b>		<b>3,897</b>	<b>(178)</b>
Less: current portion		(3,897)	178
<b>Non-current portion</b>		-	-
<hr/>			
Non-hedging instruments			
- Foreign exchange swaps	4,200	-	(113)
<b>Total</b>		-	<b>(113)</b>
Less: current portion		-	113
<b>Non-current portion</b>		-	-

### 21 Capital commitment

The Foundation had two capital commitments as at 31 December 2015 – Grofin SGB Fund US\$10.2m and Nomou Iraq Fund US\$4m (2014: US\$ nil).

### 22 Capital

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

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 23 Related party transactions

The sole member of the Foundation is The Shell Petroleum Company Limited (SPCo). The ultimate parent company of SPCo is Royal Dutch Shell plc. The Foundation's investment manager is Shell Asset Management Company (SAMCo), which is also a subsidiary of Royal Dutch Shell plc. During the year the Foundation made payments of US\$190,988 (2014: US\$298,367) and generated accrued investment management costs of US\$52,709 (2014: US\$32,680) on normal business terms with SAMCo.

During the year the Foundation made payments of US\$1,521,631.60 (2014: US\$7,745,804) and generated accrued costs of US\$4,482,027 on normal business terms with Shell International Limited. No further payments were made to Shell International BV (2014: US\$937,540).

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 Malcolm Brinded, Mr Hugh Mitchell, Mr Andrew Brown 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.

Donations received included the following as disclosed in Note 2:

Entity Name	2015	2014
	\$000	\$000
Shell Trading International Ltd	6,000	20,000

As part of Shell Foundation's approach as an engaged donor, Shell Foundation staff members often participate in the governance of strategic partners. None of the Shell Foundation employees who serve on the Boards of these partners receive any remuneration for these duties. Key management personnel who held a position of influence in both entities during the 2015 year were:

Sam Parker is the Director of the Foundation and a member of the advisory board of WRI Ross Centre for Sustainable Cities. During the 2015 year, the Foundation issued grants of US\$1.2 million (2014: US\$0.9 million).

Judith Pollock is a Deputy Director of the Foundation and a director of the board for Stichting Smart Freight Centre. During the 2015 year, the Foundation issued grants of US\$1.3 million (2014: nil).

Pradeep Pursnani is a Deputy Director of the Foundation and a member of the Advisory Board to Gajam Group Limited who the Foundation throughout 2015 issued grants of US\$2.2 million (2014: nil) and had liabilities of US\$1.1 million at the 2015 year-end (2014: US\$0.7 million). He is also a director of the Intellegrow board, which is part of the Intellegrow group of companies of which Intellecip Advisory Services is a part. During 2015, the Foundation issued a grant of US\$1.0 million to Intellecip Advisory Services (2014: US\$270 thousand). This Deputy Director is also a board member of BIX Fund Management BV who received grants during 2015 of US\$0.2 million from the Foundation with a balance of US\$66 thousand remaining at the year-end to be paid. He is also a member of the board of Husk Power Systems Pvt. Limited who received grants of US\$0.8 million from the Foundation during 2015 year (2014: US\$0.8 million) and a remaining balance to be paid of US\$0.2 million at the year-end (2014: US\$0.5 million). This Deputy Director was also a member of the board of directors for Factor(E) Ventures Limited who received no grants and had no remaining liabilities at the 2015 year-end (2014: grants US\$2.5 million, liabilities US\$1.8 million). This Deputy Director is also a board member of Envirofit Inc who the Foundation purchased shareholder equity of US\$5.5 million during the 2015 year (2014: US\$0.3 million grant). He is also a member of the Board of Directors for responsAbility Energy Access Fund who the Foundation had an investment of US\$2 million at the 2015 year-end (2014: nil) and grant liabilities of US\$0.35 million (2014: US\$0.7 million).

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 23 Related party transactions (continued)

Pradeep Pursnani and Amanda Burston (former finance manager of the Foundation) were during 2015 members of the Advisory Committees for Grofin Africa Fund, Grofin SGB Fund and Grofin Nomou (MENA). These entities were part of the Grofin Group. The grant payable balances outstanding the Foundation held at the year end for these parties were: Grofin Nomou (MENA) US\$8.3 million (2014: US\$16.5 million) and Grofin Managers US\$0.1 million (2014: nil). The Foundation held an investment of US\$4.8 million in Grofin SGB Fund at the 2015 year-end (2014: nil) and an investment in Grofin Africa Fund of US\$10 million at the 2015 year-end (2014: US\$11.4 million).

### 24 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\$3.0m loan facility to Envirofit International Inc. As of December 2015, Envirofit International Inc had drawn down US\$3.0m of this loan.

### 25 Post balance date events

The Foundation have not engaged in post balance date transactions outside of normal business transactions.