

ANNUAL REVIEW

2011

SHARED INTEREST

INVESTING IN A FAIRER WORLD





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REVIEW OF THE YEAR



BY SHARED INTEREST CHAIR, KATE PRIESTLEY

It is fair to say that 2011 has been a challenging year as Shared Interest continued to face battles with both interest and exchange rates. However, amidst this trying economic climate, our investors remained loyal and committed and share capital has continued to increase; I don't think we should underestimate this positive progression.

This year I was able to take part in my first Shared Interest overseas trip. Having visited Africa and some of the groups that we work with there, it is easy to see why people continue to invest their money with us. What I saw in Kenya and Rwanda reinforced my perception of the pride people take in their work and community. The social impact of Shared Interest's work was also beyond my imagination.



As you read through this year's Annual Review you will no doubt get a flavour of the activity going on at head office. We were delighted to receive public recognition of this work from two awarding bodies, both regionally and nationally, as Shared Interest scooped the Sustainable Finance Award, and later was awarded Highly Commended in the medium sized business category of the Culture for Success Awards. Congratulations to everyone involved in receiving these accolades.

During my first year as Chair I have learnt a lot about the range of commodities in which we lend, especially Brazil nut harvesting – a process I find fascinating. I am now soaking up more knowledge about our latest products – marula nuts, vanilla and quinoa as our lending opportunities continue to diversify.

Plans to open a new regional office in Ghana have been approved and this West African base will enable us to continue to diversify this product range and increase our lending made directly to the producer.

From experience gained through our other regional offices in Kenya and Lima, we know that having a regional representative in country is instrumental in finding new customers and increasing our lending.

Looking forward to 2012, there remains a steep hill to climb in terms of reaching investment targets, bearing in mind that our wider economic situation is unlikely to improve. However, we take encouragement from the year we leave behind, which saw investment reach £28.2m as well as our member survey showing that 95% of respondents are happy with the way we use their investment.

Our main aim remains to be reaching people who have no access to fair finance, and as we currently make payments of over £39m to 63 countries around the globe, we are hoping that our increased in-country presence will only serve to boost our lending directly to those producers who need it most.

INTRODUCING SHARED INTEREST



Back in 1990, a group of fair trade pioneers realised that despite the growth of the popularity of the fair trade movement in the UK, farmers and handicraft producers in the developing world were struggling to access the finance they needed to get their goods to market.

They wanted to provide fair and just access to finance that would enable producers to create a sustainable livelihood for themselves, their families and their communities.

Today, Shared Interest Society has almost 9,000 investors and this year we lent over £33m to fair trade businesses across the globe.

Our role in the fair trade movement is crucial, but we could not do it without the support of our UK investors who share our vision of a world where justice is at the heart of trade finance.

Each Share Account holds anything between £100 and £20,000. This money is used to make payments to producer groups as well as on behalf of buyer organisations. These funds are recycled and reused to make sure that all invested funds are used to help those that need them the most.

As a co-operative we are owned and controlled by our members who each have an equal voice and vote, regardless of account size. We also have an elected Board of Directors which is made up of eight members; two executives and the remaining six being non-executives. The Board is responsible for setting the strategy for the Society and making sure it is delivered within an appropriate risk framework.

We also have a Council which is made up of nine Shared Interest members whose role is to help make sure the Board sets a strategy that adheres to the mission of the organisation and then delivers this strategy to meet the expectations of members.

THE BOARD

The Board of Directors currently includes two executive directors and six non-executives. Its role is to determine and monitor the implementation of strategy for the Society, make sure that risks are managed appropriately and provide a proper account to members of the financial and social results of the Society.

NON - EXECUTIVE DIRECTORS OF THE BOARD



Gill Dandy

Remuneration Committee



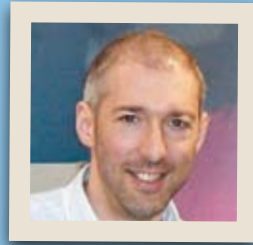
Peter Freeman

Audit Committee
Remuneration Committee (Chair)



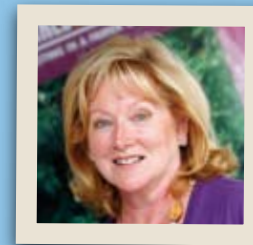
Ruth McIntosh

Audit Committee



David Nussbaum

Audit Committee (Chair)
Credit Committee



Kate Priestley

Nominations Committee
Credit Committee



Carol Wills

Nominations Committee
Credit Committee (Chair)
Remuneration Committee

EXECUTIVE DIRECTORS OF THE BOARD



Patricia Alexander

Nominations Committee
Credit Committee



Tim Morgan

Credit Committee



VISION, MISSION AND VALUES

Although we recently updated our vision statement, our mission and values have remained the same since our inception and we are committed to these themes:

VISION

A world where justice is at the heart of trade finance.

MISSION

Our mission is to provide financial services and business support to make livelihoods and living standards better for disadvantaged communities in some of the world's poorest countries. We work with people who share our commitment to fair and just trade. Together we take and share risk because we value the difference that fair and sustainable trade makes. We seek to satisfy the needs of producers as they trade their way out of poverty and to meet the aspirations of our investors and donors to support them in achieving this aim.

VALUES

We will conduct our business in a manner which reflects the principles of love, justice and stewardship.

We will:

- Work to recognised fair trade standards
- Respect the diversity of different cultures
- Value and engage with our members and supporters
- Place partnership at the heart of what we do when working with others
- Work with our people and encourage their commitment, talents and energy in an environment of mutual respect.

ENVIRONMENTAL SUSTAINABILITY

Sustainability is at the heart of what we do. We are dedicated to reducing, reusing and recycling wherever possible within the organisation. Paper use is something that we monitor closely. We have paper recycling facilities as well as a printer dedicated to printing on scrap paper. This year we used 11,096 less sheets of new paper than the previous year. This is a reduction of 8%.

We continue to log all of our business mileage throughout the year. This year we managed to lower our carbon emissions by 3%. Every year we offset our carbon usage and this year members of staff, helped by some of our volunteers replanted trees to the value of our usage.

In addition to business travel, Shared Interest staff are also conscious of how they travel to work. 91% of all staff travel all or part of their journey in an environmentally friendly way. 69% of staff use public transport and only four people use their car for any part of their journey. Furthermore we remain committed to the 10:10 campaign and continue to attempt to reduce our emissions by 10% over the coming year.

GLOBAL REACH

Shared Interest's Head office is based in Newcastle upon Tyne. Our staff come from a diverse range of backgrounds and many of our Account Managers are from the countries that they work with on a daily basis. On 30 September 2011, we had a total of 31 members of staff.

Four members of the staff team are based in our overseas offices in Kenya and Lima we also have a consultant working with us in Costa Rica. This on the ground presence has increased awareness of the work that we do in the countries that we impact. It has also enabled us to get closer to our customers. This has increased our understanding of the issues facing the producer groups we work with. We have found that producer groups welcome the opportunity to work with a Regional Development Executive (RDE) of a similar culture and in their own language.

Our regional offices cover vast areas and the overseas teams travel regularly. We are delighted to announce that this year we received approval from the Board of Directors to open a further office in Ghana. This will significantly increase both our lending and the impact of our work in West Africa.



FINANCIAL OVERVIEW

The 2010-11 financial year has been an eventful one for the Finance Team. Major tenders were held for two of the Society's most significant service providers – audit and banking.

The former produced a change from Baker Tilly to PricewaterhouseCoopers whilst the latter saw us confirm that the best all-round banking deal for Shared Interest remains with the Co-operative Bank. A third major work stream ended with successful registration of the Society for VAT and this should reduce our operating costs on an on-going basis by more than £25,000 per annum.

Whilst this year saw many positive achievements, unfortunately, you will see a substantial charge for bad debts again in our Profit and Loss Account this year. We had to write-off four balances during the year and as at 30 September 2011 we held provisions against six further accounts totalling £373,000 where we are very unsure of any recovery.

We believe that we have provided prudently and appropriately for irrecoverable debts and are looking

carefully at all aspects of our lending policies to seek to take appropriate risks only and manage the risk of major losses.

Nevertheless we are clearly going to be in turbulent economic times for some while yet and must expect some losses along the way. Because of this, the Board has decided that we should seek to build reserves in the Society of at least 5% of our share capital at any point – so that we are resilient against a run of losses in the worst case.

The summary of the financial statements provided below is an extract of the full audited financial statements for the Society, which is available on request from the Company Secretary or can be downloaded from our website.

The figures opposite are for the Society only and we have not shown here the combined result (“Consolidation”) with Shared Interest Foundation, which we are obliged by law to produce in the full, published accounts.

PROFIT AND LOSS					
	2007	2008	2009	2010	2011
	£'000	£'000	£'000	£'000	£'000
Credit Charges	1,002	1,257	1,581	1,602	1,684
Bank Deposit Interest	1,063	1,191	782	530	636
Other	78	54	62	93	102
Total	2,143	2,502	2,425	2,225	2,422
Finance Costs	484	457	226	112	119
Provision for Doubtful Debts	49	167	497	327	670
Operating Costs	1,362	1,590	1,662	1,609	1,545
Corporation Tax	4	18	14	22	15
Profit before Members' Interest	244	270	26	155	73
Members' Interest	161	205	21	0	0
£/\$ Exchange Rate	2.01	1.84	1.60	1.58	1.56

BALANCE SHEET					
	2007	2008	2009	2010	2011
	£'000	£'000	£'000	£'000	£'000
Tangible Fixed Assets	63	40	38	24	31
Investments	0	0	96	97	101
Loan to Oikocredit	2,749	2,053	1,000	0	0
Lent to Customers	13,040	18,022	17,789	19,772	19,722
Cash	10,052	7,053	9,648	9,525	10,165
Debtors	318	368	274	286	332
Current Assets	26,222	27,536	28,845	29,704	30,351
Creditors < 1 Year	1,125	1,414	1,479	573	581
Creditors > 1 Year	1,979	991	0	0	40
Total	23,118	25,131	27,366	29,131	29,730
Capital	21,733	23,637	26,051	27,682	28,208
Reserve for Lending Loss	766	766	766	766	766
Profit and Loss	619	728	549	683	756
Total	23,118	25,131	27,366	29,131	29,730

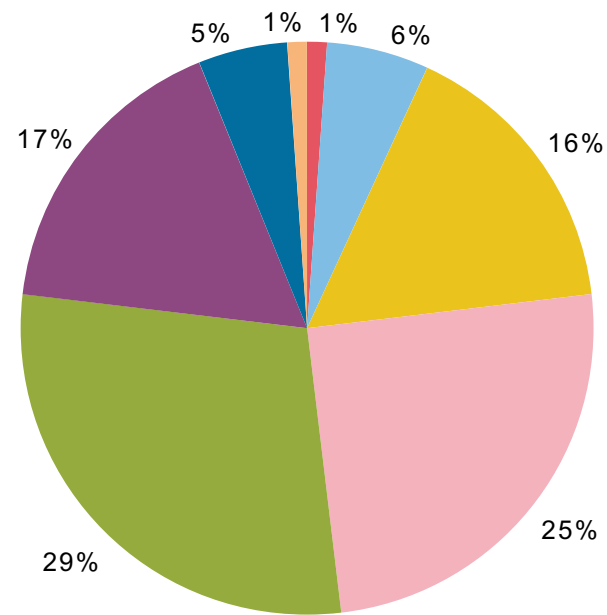
The following is an unaudited extract of the full audited financial statement of the organisation. The full accounts are available to download from the website or by requesting a copy from the Company Secretary.

INVESTMENT

Shared Interest could not continue to provide fair and just financial services without the support of its UK based investors.

We have a diverse membership which includes predominantly individuals, but also school, faith and community groups, each investing anything from £100 up to £20,000 into an Ordinary Share Account.

Age profile overview from membership survey



Share capital and membership in the last three years

	2009	2010	2011
Share capital	£26,006,924	£27,675,694	£28,207,927
Membership	8,743	8,837	8,763

On 30 September 2011, we had 8,763 members who had invested a total of £28.2m.

This year to gain a greater understanding of our membership we undertook a full membership survey. We sent out questionnaires to all members and 2,506 responded (30% response rate).

OUR MEMBERS

60% listed their employment status as retired and 86% were between the ages of 45 and 84 years. Over 68% of respondents stated that they were Christian (including Church of England, Catholic, Protestant and all other Christian denominations).

- 25 - 34
- 35 - 44
- 45 - 54
- 55 - 64
- 65 - 74
- 75 - 84
- 85 +
- Would rather not say

MEMBER CASE STUDIES

CHRISTINE LLOYD

Retired district nurse, Christine Lloyd keeps seven hens in the vegetable garden of her home in the village of Hallbankgate near Brampton. For the past two years she has deposited the money made from the sale of her eggs into a Share Account.

Christine is an active supporter of fair trade and belongs to Brampton's Fairtrade Town Group, an organisation set-up in 2005 following the town becoming one of the first 100 towns in the UK to be granted Fairtrade Status.

She says: "I opened the Shared Interest account with £100 and top it up with the sale of the eggs. I don't make a great deal of money from the eggs, but it makes me realise that if this was the only way I had of making a living then I wouldn't be able to afford the luxuries in life we all take for granted

"For me, I know that whilst my money is with Shared Interest, it is being lent out time and time again to fair trade projects in the developing world to help them grow their businesses and provide an income for their families and benefits to their communities."



PAT WALLACE



Five years ago Pat Wallace was looking for an overseas project that she could get involved with that would make a difference to those in the wider world and looked at the financial sector to see where she could invest her money.

Pat says: "I opened the Shared Interest account with £100 and top it up when I can. I can see the benefit of investing my money into Shared Interest as they work hard to help communities in the developing world to grow their business and be more enterprising.

"Pouring aid into certain world areas is not helping the basic underlying problems and does not, I feel, move the communities on to self-sufficiency. I think it is important to encourage communities to work together, to help in funding their endeavours via Shared Interest seems to me, to be a better course of action towards a permanent solution to their problems."

VOLUNTEERS

OUR VOLUNTEER NETWORK PLAYS AN IMPORTANT ROLE IN THE PROMOTION OF SHARED INTEREST.

Volunteers can get involved on a variety of different levels, from helping with administrative tasks in the office to manning stalls at events, depending on experience and knowledge there is a role for everyone within the volunteer programme.

We use the term Volunteer to encompass all individuals that give up their time to support the organisation but within this we have Ambassadors that actively promote Shared Interest and attract new members.

The Volunteer Manager conducted a full audit of the volunteers in 2010 and at the end of September 2011 we had a confirmed 70 Ambassadors and 11 Volunteers spread across the UK.

A new Volunteer Policy has since been put in place to monitor the way that we engage with and manage volunteers. This policy was introduced in June 2011 and this good practice is currently being implemented to ensure that all Ambassadors and Volunteers are well supported in their roles.



VOLUNTEER CASE STUDIES

AMBASSADOR, DAVID SELF

Retired vicar, David Self, moved to Thornbury near Bristol five years ago. David has been a Shared Interest investor since 1997 however, finding he had more spare time following his retirement he became a Shared Interest Ambassador.

David attends many local events on behalf of Shared Interest that range in theme from fair trade to sustainability and religious events.

David said: "My wife and I have been supporters of Christian Aid for over 40 years and were very glad to hear about the work of Shared Interest in the 1990s. We joined and invested accordingly. It made so much sense to us to support fair trade producers through unsecured loans to enable producers to develop self-respect but also to enter the world economy on a more equal basis."

He continued: "It seems to me that Shared Interest is even more important now in the climate of financial insecurity because it is always the poor of this world who suffer first."



VOLUNTEER, CHARLOTTE BEAUMONT

English language student, Charlotte Beaumont started volunteering for Shared Interest in the summer of 2011. As she is studying in Newcastle, Charlotte volunteers at local events as well as in the Shared Interest office with admin tasks.

Charlotte heard about Shared Interest through SCAN the Newcastle University volunteer centre and was keen to gain some work experience as well as help those in the developing world whilst she has the spare time. She also volunteers for MADventurer, a not for profit organisation who carry out projects overseas in underdeveloped areas.

Charlotte said: "The aspect I like the most about Shared Interest Society is that it encourages people to help themselves; it provides a long-term solution for getting people out of poverty."



LENDING

HOW DOES IT WORK?

Shared Interest lends funds to buyer and producer organisations. Some people are surprised to learn that the majority of our lending is made to buyer organisations in Europe and North America.

What many people don't realise is that this money is in fact being used to support producers in developing countries. Even though we are working to increase our direct producer lending, we will keep lending to fair trade buyers such as Traidcraft and Ten Thousand Villages because through them our investors' capital can reach producer groups who would not be able to borrow directly from us.



BUYER LENDING

Pre-financing credit facility

Fair trade buyers are required to provide a pre-payment to producer groups of at least 50% of the order value if it is requested. However, buyers can find themselves struggling to provide sufficient pre-finance from their own cash reserves.

We assist by offering fair trade buyers a facility which can be used to pre-finance orders with their producers. In addition a buyer can also benefit from a further credit period of up to six months after the order is received enabling them to sell their product and receive an income prior to repayment of the amount borrowed.

Shop loans

Shop loans are specifically designed for buyers opening new retail stores and they enable a business to purchase the initial fair trade stock.

We agree the loan amount in consultation with each applicant and repayment is made over an agreed period.

Term loans

Term lending for buyers is relatively new territory for Shared Interest, with the first loan being released in 2008. We provide the loans generally for the purchase of assets and for website development or working capital.

Borrowing is for between one and five years and repayments are set depending upon the circumstances of the buyer.

Loan sizes are determined by the financial situation of the buyer and its ability to repay the loan.

PRODUCER LENDING

Pre-finance

This facility provides sufficient working capital to producer groups to enable them to complete and deliver new orders. Customers can borrow a maximum of 80% of the value of any order received (60% for some commodity orders). Repayment is made once delivery is made and when the buyer pays for the order via Shared Interest. We deduct the amount borrowed and any interest due.

Term loans

We offer producer groups term loans for the purchase of assets such as machinery, buildings or vehicles. Borrowing is for between one and five years and repayments are set depending upon the circumstances of the producer group. Loan sizes are determined by the financial situation of the producer group and its ability to repay the loan.

Stock facility

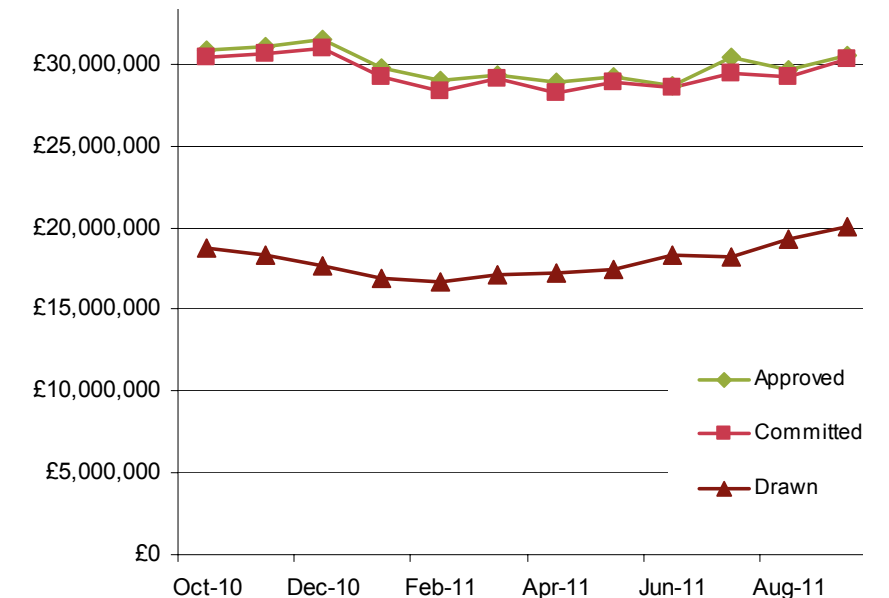
We offer producer groups a short term revolving loan for the purchase of stock. Borrowing is for up to a 12-month period and repayments are arranged according to the cash flow of the producer group.

Lending approved, committed and drawn, 2010/11

The graph shows three aspects of the lending portfolio. After all the due diligence work is carried out the facility is approved by the Society's Directors. The next stage is for the customer to meet certain lending conditions and once the relevant documents have been received the facility is committed and is then available for customers to draw.

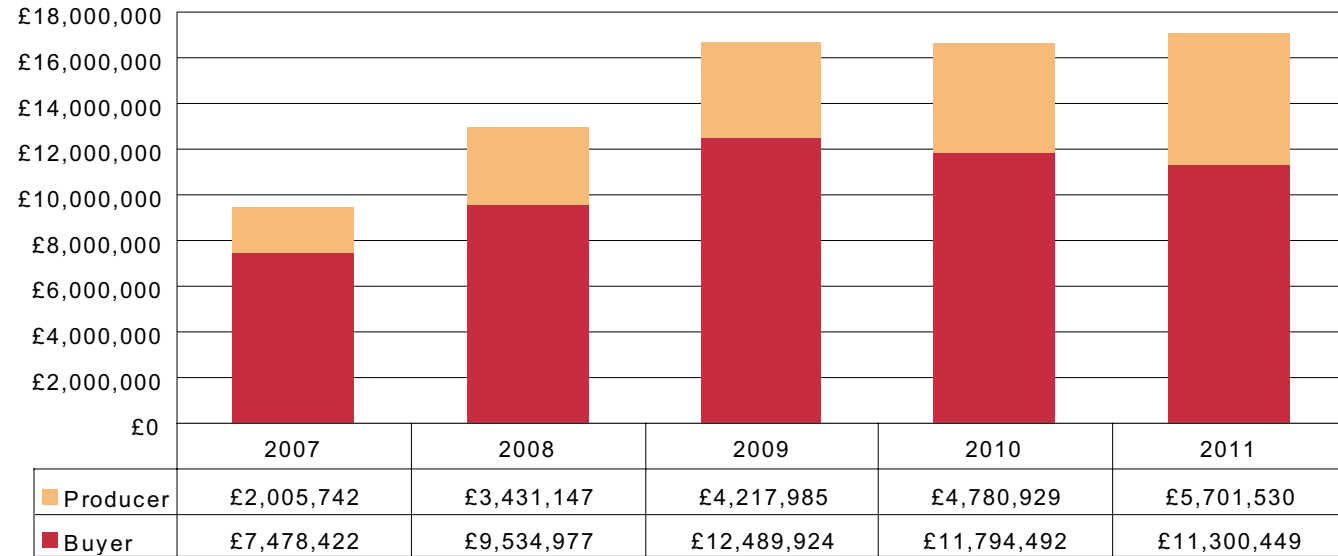
The figures are based on actual amounts as at each month end and the amount borrowed will always be below the committed level because the requirements of each customer differ and for some customers the facility is only used for part of the year. During the year we approved facilities for 20 new customers with a total value over £3m; the overall level was fairly constant at around £30m because some existing customers reduced their limits.

We cannot assume that this will happen and increased share capital is needed to meet the needs of the fair trade community. The majority of our lending is in US dollars and changes in the exchange rate influence the sterling values of facilities and amounts borrowed.

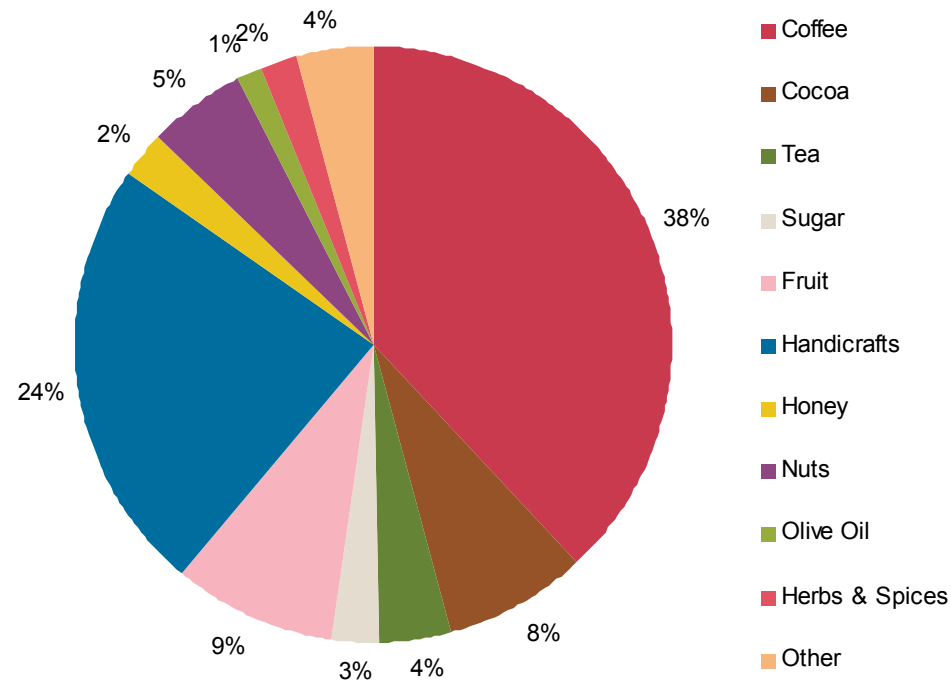


The following graph shows how average drawn lending to producer groups has grown proportionately whilst buyer borrowing has dropped slightly. The impact of the global recession is seen from 2008 as customers sought to cut costs and in some cases reduced purchases and thus pre-finance requirements.

Average lending to all customers over the last five years



Product mix of the producer groups to whom our lending is committed



This graph clearly indicates that the predominant product sold by our customers is coffee. The proportion of our lending committed to handicraft producer groups remains high and although it declined from 27% to 24% this year, the total value of our lending to handicrafts did not fall; this is simply a reflection of the increase in our lending in coffee.

SHARING RISK

Our members' capital is used to provide finance to fair trade businesses in 35 countries many of whom operate in unstable parts of the world. We lend on an unsecured basis knowing that many customers either do not have any security to pledge, or have already used their assets to secure conventional borrowing which supports normal working capital requirements.

Fair trade offers an alternative model where prepayments are made to producer groups and Shared Interest enables UK based investors to share risks with customers trying to provide a fairer way of doing business. Our lending portfolio is broad with facilities stretching from £5,000 to over £2m to customers with many employees and large operations, to those that operate with just a handful of people.

ENSURING A FAIR RATE

The lending interest rate we charge is agreed with each customer and is linked to the prevailing interest rates for that currency plus a margin to cover operating costs, known as the Prime Rate, and added to that is the Risk Premium based on the risk assessment of the individual customer.

COFFEE LENDING



The amount of money we lend against coffee has gradually increased over the past few years.

The market price of the commodity has risen to over USD 3/lb in the last year - nearly double the Fairtrade minimum price. This increased price was a problem for the coffee co-operatives we work with; it meant that they had to find twice as much money to secure the same volume of coffee.

Previously we were allowing coffee co-operatives to borrow up to 60% of the contract value based on the Fairtrade minimum price. This represented a major

shortfall in the amount of pre-finance they needed to secure coffee from their members.

Unable to receive sufficient pre-finance meant that the farmers were looking to sell their beans elsewhere, typically to a large commercial organisation. To alleviate this problem we altered our operational activity to allow 80% borrowing against orders, but only for long-standing producers.

To allow for additional facilities the Board of Directors increased the percentage of the lending portfolio approved for coffee and we continue to explore ways to support producer groups.

WHERE THE FUNDS OF SHARED INTEREST INVESTORS ARE USED TO SUPPORT FAIR TRADE

NORTH AMERICA

MATA TRADERS

Mata Traders is a fair trade clothing and accessories business located in Chicago. The organisation has grown rapidly since its creation in 2006. The group sources all its products from women's co-operatives in India and Nepal. (Mata means 'mother' in Hindi). Shared Interest supports Mata Traders with a credit facility that allows them to place larger prepaid orders with its fair trade suppliers.



SOUTH AMERICA

BOS

Over the course of the year we have opened four new facilities for banana producers. BOS is located in the Chira Valley near the north coast of Peru. The organisation was established in 2003 and is owned directly by some 500 individual farmers. Unlike other commodities bananas are harvested all year round and the only way that groups like BOS can increase their exports is to improve harvesting, packaging and transportation.

BOS are using their Shared Interest loan to invest in new infrastructure, particularly cableways to transport the bananas as this speeds up production but also improves the health of the workers who will no longer need to carry the bananas.



- Fair trade buyer organisations with Shared Interest credit accounts
- Producer groups receiving advance payments or loans via Shared Interest



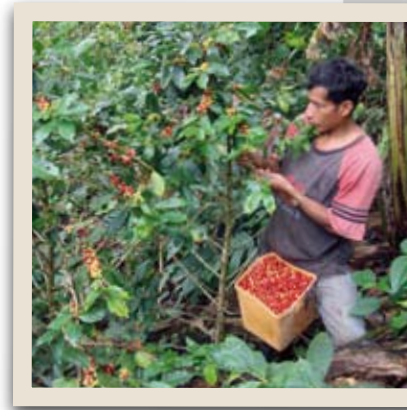
CENTRAL AMERICA

HUATUSCO

Huatusco is a small town in the Veracruz region of Mexico. The coffee co-operative that shares the town's name was established in 1993 and now has 43 producers groups with over 2,000 individual farmers in total.

As with many rural areas in Mexico, Huatusco has the problems of young people leaving to find employment elsewhere. To counteract this, Huatusco sponsors students to attend the local university provided they work for the co-operative for five years following graduation. The co-operative also offers scholarships to 80 school children and part finances a health programme for children and adults.

Shared Interest is providing Huatusco with an export credit facility that enables the co-operative to pay its farmers in advance of the harvest and avoid them being tempted to sell elsewhere.



AFRICA

SWAZI INDIGENOUS PRODUCTS

Swaziland Indigenous Products (SIP) was set up in 2005 to help rural women earn an income from the natural products that grow around them. It is owned by 33 groups representing 2,600 women.

The women gather the fruit needed to create marula oil which is used in skin care products. Shared Interest has provided SIP with a stock facility loan to alleviate the pressures with cash flow during harvest season.



GOURMET GARDENS

Ugandan-based Gourmet Gardens was set up in 2002 and claims to be the largest supplier of Fairtrade vanilla in East Africa. The organisation has farms in the Congo which grow cocoa and birds eye chillies as well as the vanilla.

Gourmet Gardens receive a credit facility from Shared Interest that allows them to manage cash flow throughout the harvest season as they can pay the farmers without having to wait for their buyers to pay the total amount for the order.



WE SEE THE WORLD AS IT COULD BE

LOOKING FORWARD TO THE YEAR AHEAD WE PLAN TO BUILD ON OUR ACHIEVEMENTS OF 2010/11.

We are thrilled to have signed off our Comic Relief Social Investment Fund Pilot and are really looking forward to implementing this new form of lending and seeing the additional impact we can make to the fair trade movement. A large part of this project will include the opening of the West African office which again should bring a multitude of opportunities and enable us to further increase our lending totals.

Back in the UK, we plan to unveil our new look website alongside a suite of new marketing materials. We hope that this, along with the up-scaling of our Ambassador network will raise awareness of Shared Interest and ultimately increase our membership figures and share capital totals.



SHARED INTEREST SOCIETY

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The complete Directors' Report and Accounts and the Social Accounts are available to download from our website.

Shared Interest Society Ltd is registered with the Registry of Friendly Societies, number 27093R.



Printed on paper from sustainable, well managed sources certified by the Forest Stewardship Council.