

# DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED  
30 SEPTEMBER 2011

**SHARED INTEREST**  
INVESTING IN A FAIRER WORLD



# CONTENTS

|   |           |
|---|-----------|
| <b>REPORT OF THE DIRECTORS</b>              | <b>1</b>  |
| <b>INDEPENDENT AUDITORS' REPORT</b>         | <b>5</b>  |
| <b>SOCIETY PROFIT AND LOSS ACCOUNT</b>      | <b>6</b>  |
| <b>SOCIETY BALANCE SHEET</b>                | <b>7</b>  |
| <b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b> | <b>8</b>  |
| <b>CONSOLIDATED BALANCE SHEET</b>           | <b>9</b>  |
| <b>CONSOLIDATED CASH FLOW STATEMENT</b>     | <b>10</b> |
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>    | <b>11</b> |

# REPORT OF THE DIRECTORS

Welcome to the accounts of Shared Interest Society Limited for the year to 30 September 2011. This document contains the results and Balance Sheet of the Society and also the group accounts ("Consolidation") which show the results and Balance Sheet of the Society combined with its sole subsidiary - Shared Interest Foundation.

## PRINCIPAL ACTIVITIES

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. Shared Interest Society provides loans and short-term working capital facilities to organisations in the fair trade supply chain – buyers in the UK, US, Europe and Australia or producers in the developing world. The Shared Interest Foundation, the wholly owned subsidiary of the Society, works mainly through training and capacity building work with producer organisations in the developing world.

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 sustainable trade makes. We seek to satisfy the need 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. In the 2011/12 financial year we intend to extend the overseas presence of the Society by opening an office in West Africa.

## CORPORATE STATUS

The Society is incorporated with limited liability under the Industrial and Provident Societies Act 1965. Net profits after interest on the share capital may ultimately be distributed, not to members, but either as a rebate on charges to customers or applied for charitable purposes.

## MEMBERS AND CAPITAL

179 new members (2010: 334) joined the Society and 253 members closed their accounts (2010: 240), bringing the total membership at the year-end to 8,763 (2010: 8,837). The average share account balance at the year-end was £3,219 (2010: £3,133).

Share capital increased by 1.8% (2010: 6.1%) from £27.7m to £28.2m during the year. This was after withdrawals of £1.7m (2010: £1.5m) and receipts of £2.2m (2010: £3.1m).

The Society still holds a sum of £356k (2010: £425k) in unclaimed loan stock from former issues and for which investors have not given instructions regarding repayment or conversion to share capital. This is held in short-term creditors in the Balance Sheet.

## BUSINESS REVIEW

A report on the Society's affairs and business during the year and its future prospects is contained in the Annual Review distributed to all members of the Society and available on the Society website.

## CHARITABLE DONATIONS

The Society has made no charitable donations during the year.

## RESULTS AND APPROPRIATIONS

The consolidated financial statements of the Society for the year ended 30 September 2011 are attached.

The consolidated deficit for the year, after tax and before share interest, was £36k (2010: surplus £227k). The Directors propose not to pay interest on share capital (2010: £nil), leaving a deficit for the year of £36k (2010: surplus £227k). Share interest is calculated on the daily balance at a rate fixed by the directors and notified to members. The rate prevailing throughout the year was 0%.

The Directors recommend that the reserve for lending losses be maintained at £766k.

The greater part of the Society's lending is in foreign currency of which approaching 75% is denominated in US Dollars. The percentage of share capital lent has remained at an average of around 66% across the last two years, although this fluctuates with seasonal variations. Interest rates have been about 0.5% higher across the portfolio in 2010/11 than the previous year and with higher rates available in fixed term deposits we have increased income in the Society by about £200k. Bad debt experience has unfortunately been worse than 2010 with a total of £427k written off in the year (2010: £197k) and £373k (2010: £130k) held as a specific provision at the year-end, against accounts which we believe are vulnerable but have not yet been written off. These sums are netted off Debtors ("Net advances to customers") on the face of the Balance Sheets on pages 7 and 9.

We seek to maintain a match of currency assets to liabilities to minimise the impact of exchange rates.

Operating expenses of the Society have reduced by over 3.5% compared with 2010, due principally to a number of small reductions in staff associated costs during the year. One of the main reason for this was the length of time it took to recruit a suitable replacement for the Marketing and Relationships Manager. Combined costs (shown in the Consolidated P&L) have increased by 8% and this reflects the first year of operation of Shared Interest Foundation's Swaziland project.

| Summary of results                           | 2010/11 |            |              | 2009/10 |            |              |
|--|---------|------------|--------------|---------|------------|--------------|
|  | Society | Foundation | Consolidated | Society | Foundation | Consolidated |
|  | £'000   | £'000      | £'000        | £'000   | £'000      | £'000        |
| Income*                                      | 2,422   | 151        | 2,701        | 2,225   | 582        | 2,491        |
| Costs  | 2,334   | 388        | 2,722        | 2,048   | 194        | 2,242        |
| Surplus/(deficit) before tax                 | 88      | (237)      | (21)         | 177     | 388        | 249          |
| Surplus/(deficit) after tax & share interest | 73      | (237)      | (36)         | 155     | 388        | 227          |
| Accumulated profit & loss reserve            | 756     | 305        | 873          | 683     | 542        | 909          |

\* Recognition of income is explained in detail in Note 1(b) one page 11.

## ETHICAL INVESTMENT POLICY

We adopt an ethical investment policy in respect of the Society's ordinary cash deposits. These are to be distinguished from our deposits with social banks, which directly further the Society's object (see Accounting Policies). During the year the Society held its general funds on deposit with the Co-operative Bank plc.

## COUNCIL

The Council is appointed from Members and may require the Directors to give a report to it on the progress of the Society's business and to answer questions on the Society's business. The following members have served on the Council during the year:

|  | £1<br>shares<br>held | Year first<br>appointed |
|--|----------------------|-------------------------|
| Stephen Sanders                          | 4,409                | 2007                    |
| Ann Hillier (retiring at AGM March 2012) | 7,271                | 2008                    |
| Trevor Jones                             | 2,955                | 2009                    |
| Claire Wigg                              | 1,098                | 2009                    |
| Jo Bird (resigned June 2011)             | 100                  | 2010                    |
| Margaret Newens                          | 9,330                | 2010                    |
| Jason Watkiss (elected March 2011)       | 101                  | 2011                    |
| Malcolm Nunn (elected March 2011)        | 7,118                | 2011                    |

Claire Wigg and Margaret Newens are retiring by rotation at the AGM (March 2012) and are standing for re-election under Rule 33c. Ann Hillier is retiring and is not standing for re-election. Sue Cotterell (who owns 2,029 £1 shares) was randomly selected in June 2011 and will offer herself for election at the AGM under Rule 33. Council intends to hold an election to replace Jo Bird on Council and this will take place by postal ballot with the result to be announced at the AGM. A further randomly selected candidate will be sought to replace Ann Hillier.

## DIRECTORS

The following members served as Directors during the year, and apart from David Buffham, to the date of signing of these financial statements:

|                                     | £1<br>shares<br>held | Year first<br>appointed |
|-------------------------------------|----------------------|-------------------------|
| Gill Dandy                          | 6,056                | 2004                    |
| Peter Freeman                       | 2,993                | 2004                    |
| David Nussbaum                      | 8,855                | 2006                    |
| Carol Wills                         | 921                  | 2006                    |
| Patricia Alexander                  | 3,947                | 2006                    |
| Ruth McIntosh                       | 5,000                | 2009                    |
| Kate Priestley                      | 2,200                | 2009                    |
| Tim Morgan                          | 500                  | 2010                    |
| David Buffham (resigned March 2011) | 775                  | 2010                    |

Gill Dandy and Peter Freeman will come to the end of their term of office at the AGM in 2012. The Board has commenced a process to replace Gill Dandy but Peter Freeman's term will be extended for one year in order to provide continuity. Ruth McIntosh retires by rotation at the AGM and will not offer herself for re-election. The Directors each attended all of the Board meetings during the year for the period in which

they were eligible to do so, except on one occasion when Gill Dandy was unable to attend.

As permitted by the Rules of the Society, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Society also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

## ELECTIONS

The elections will be by postal ballot. The results will be announced at the Annual General Meeting in Oxford on 16 March 2012.

## OTHER EXTERNAL APPOINTMENTS

Below are shown the external directorships/trusteeships of the members of the Board of Directors and Senior Management Team.

|                       |   |
|-----------------------|---|
| Patricia Alexander ** | Fairtrade Foundation  |
| Gill Dandy            | Iprovision  |
| Peter Freeman         | Institute of Development Studies,<br>Brighton Hove and Sussex Sixth<br>Form College |
| Ruth McIntosh         | COUI Ltd, Eveden Group Ltd,<br>Bridgeport Charitable Trust                          |
| Tim Morgan **         | Paper Dove Company Ltd,<br>Gateshead PCT, Cafedirect plc<br>(Company Secretary)     |
| David Nussbaum        | WWF (Trading) UK Ltd, Low Carbon<br>Accelerator Ltd, TI UK Ltd                      |
| Kate Priestley        | Inspired Spaces, Leadership Centre<br>for Local Government                          |
| Carol Wills           | Oxford HR Consultants Ltd, TWIN,<br>TWIN Trading Ltd, Divine Chocolate<br>Ltd       |
| Malcolm Curtis *      | WFTO (European Board), WFTO<br>(Global Board from November 2010)                    |

\*\* Member of Senior Team and Board

\* Member of Senior Team

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required by law to prepare financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the state of affairs of the Society at the end of the financial year and of the profit for the period to that date. In preparing those financial statements we are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable us to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 and the Friendly and Industrial

and Provident Societies Act 1968. We are also responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities, such as money laundering.

## ACCOUNTING POLICIES

We have, as in previous years, included the definition of “social bank” for our purposes as an accounting policy.

## GOING CONCERN

We are satisfied that the Society has adequate resources to continue to operate as a going concern for the foreseeable future.

## CORPORATE GOVERNANCE

Desiring to have a recognised standard against which to report, the Directors have adopted the Corporate Governance Code of Best Practice of Co-operatives UK. The Code is aimed at Consumer Co-operative Societies but is thought to be the most appropriate Code to adopt.

The Society complies with many of the provisions of the Code, which was updated in May 2005, but partly complies or does not comply with the following provisions for the reasons given:

| Code provision | Position statement  |
|----------------|---|
| A1.5           | Monitoring of membership participation policies - Some elements of this provision are not so relevant to a society which has a focus which is more about benefit to other communities than the members themselves.  |
| A2.3           | Member voting - the Society does not hold contested elections to the Board due to the professional expertise required to be a director of a financial co-operative working mainly in the developing world. It does however use a Nomination Committee process which ensures that a pool of candidates for a vacancy is sought and the best person is chosen from this by a transparent and fair process. Further, all directors co-opted to the Board in this manner automatically stand down at the next AGM and must be re-elected by the membership following circulation of information about the director. |
| B1.1           | The role and purpose of the Board - Shared Interest normally holds 6 physical Board meetings per year (rather than 10 recommended by the Code). This reflects the fact that much of the detailed business is carried out in four main sub-committees of the Board (Credit, Audit, Remuneration and Nomination).   |
| B2.5           | Co-option of professional external directors - As noted under A2.3 the Society considers it is appropriate to use the Nominations Committee to select all directors. Due to the financial nature of the organisation and in keeping with FSA best-practice guidance, a large majority of the directors are non-executive (whereas in a “typical” co-operative all directors would be non-executive). The Society does not, however, appoint directors who are not members of the Society.   |

|      |   |
|------|---|
| B4.1 | Appointment of the Chairman - This provision indicates that the Chairman should normally be chosen from those who have served on the Board for at least one term. This is not the case for Kate Priestley who was recruited into the role in the absence of any internal candidates who could dedicate the necessary time.  |
| B4.3 | Term of office of Chairman - The Society does not follow the guidance in the Code in this area which expects the term of office to be no more than three years. This is not felt to be conducive to good governance in a complex financial organisation. The Chairman’s role is of course subject to normal rotational retirement and reappointment by the members.   |
| B5.2 | Chief Executive succession plan - Due to the small number of staff, the Society does not have a formal succession plan for the Managing Director but reviewed the options on the three occasions to date when this post has needed to be filled.  |
| B6.3 | Development programmes for directors - In keeping with its policy of recruiting “professional” directors, the Society does not include a rule in its governing document which mandates training for directors. However training is provided in a number of ways, and both internal and external directors carry out continuing training and development through membership of appropriate professional bodies or other relevant work.   |
| B7   | Board skills and performance evaluation - Board performance evaluation and individual director appraisal and objectives are not areas which Shared Interest has previously systematically addressed. During the year a first collective Board development session took place and a number of issues arising from this have been addressed throughout 2011. These included revisions to agenda setting, ways of working, terms of reference for some key committees and revision of matters reserved to the Board. |
| D1.2 | Interim Report - No audited interim statement is produced but the summary update to members at half-year is felt to be appropriate to the scale of the organisation.  |

## THE MANAGEMENT OF RISK

The Directors are responsible for the management of risk and ensuring that the Society has a sound system of internal control to safeguard its assets and funds. The system of internal control is intended to manage rather than eliminate risks, and to give reasonable rather than absolute assurance.

The Society operates a system of internal controls which are designed to mitigate these risks. The procedures used by the Directors to monitor the Society and its internal control system include:

- A strategic plan (refreshed in the Summer of 2010 and signed off by the Board in October 2010) which is used as the basis for annual planning;
- Annual plans and budgets;
- Regular reporting of actual performance against these plans and budgets;
- Review of the major risks to which the Society is exposed and the steps taken by management to mitigate those risks;

- The compilation and publication of annual social accounts, which are reviewed by the Directors; and
- Review and discussion with the external auditors of their audit plans and of the findings arising from their audit.

As noted above, at least twice a year the Directors review the major risks to which the Society is exposed, and the measures taken to mitigate those risks. The Directors' most recent annual review of major business risks identified a total of 18 significant risks. The following three of these were categorised as most significant:

- Serious lending loss, caused for instance by the failure of one or more major customers;
- The impact of climate change on Shared Interest customers; and
- Competition resulting in an inability to make sufficient surpluses on new or existing lending.

The Directors exercise their responsibilities for risk management primarily through receiving and considering at their regular Board meetings reports from management, together with the system of internal controls.

## AUDIT COMMITTEE

The Directors have established an Audit Committee. Since October 2009 the membership of the committee has comprised David Nussbaum (Chair), Peter Freeman, and Ruth McIntosh, all of whom are independent Non-Executive Directors.

The role and main responsibilities of the Audit Committee are set out in its terms of reference, which are available on request and on the Society's website. They include:

- Monitoring the integrity of the financial statements;
- Reviewing the integrity of the internal financial control and risk management systems;
- Reviewing the independence of the external auditors, and any provision of non-audit services by them;
- Overseeing the external audit process and assessing its effectiveness; and
- Making recommendations to the Board on the appointment of auditors.

The Committee meets two or three times each year including one meeting with external auditors when management do not attend. During the year, all members of the committee have attended its meetings.

To enable it to carry out its work, the Committee receives written reports from management and from the external auditors. These are considered by the Committee and discussed with management and the auditors as appropriate.

## REMUNERATION COMMITTEE

The Directors have established a Remuneration Committee. The members during the year were Peter Freeman (Chair), Carol Wills and Gill Dandy all of whom are independent Non-Executive Directors. The role of the Remuneration Committee is:

- To consider and recommend to the Board the policy for the remuneration of Executive Directors;
- To consider and determine all matters relating to the remuneration package of Executive Directors within any policy agreed by the Board;
- To consider and determine the remuneration of the Chair of the Board in the light of policy for the remuneration of the Non-Executive Directors; and
- To be aware of the remuneration policy and package for the staff with particular awareness of the package of senior staff below the level of Executive Directors.

The Board's policy for employee remuneration, which was reviewed during the year, is:

- To assess pay/jobs in a clear and consistent manner, using appropriate external data and to be able to clearly communicate the policy;
- To ensure that the policy complies with existing policies on transparency, fair pay, equal pay and recruitment; and
- To ensure that the total employment package facilitates future recruitment and retention and is appropriate for a not-for-profit organisation.

In accordance with Shared Interest's Values the Committee applies the same criteria to the remuneration of Executive Directors. Their total remuneration including pension and national insurance payable by the Society, is set out in Note 4.

The remuneration of the Chair of the Board and of Non-Executive Directors was last reviewed in 2009.

## NOMINATIONS COMMITTEE

The Directors have established a Nominations Committee. Membership normally consists of Kate Priestley (Chair of Board), Patricia Alexander (Managing Director) and one other Non-Executive Director as appropriate. Membership is temporarily varied if the work of the Committee renders involvement of any of the Directors inappropriate for a period of time. Carol Wills has served on the Committee during the past year, where the main business was to start the process of finding at least two new Non-Executive Directors, replacing those who are standing down in 2012.

## CREDIT COMMITTEE

The Board has also established a Credit Committee, with a membership consisting of five Directors. These are Tim Morgan (Finance Director), Patricia Alexander (Managing Director), Kate Priestley, David Nussbaum and Carol Wills who chairs the Committee. The Committee meets when major lending decisions are required between formal Board meetings and considers proposals to extend lending to existing customers or grant new facilities. Three meetings were held during the year.

During the past year, PricewaterhouseCoopers LLP were appointed as auditors following a tendering process in May 2011. A resolution to reappoint this firm as auditors to the Society will be put before the AGM in March 2012.

### By Order of the Board

14 December 2011

T D Morgan  
Company Secretary

### Registered Office:

2 Cathedral Square  
Groat Market,  
Newcastle upon Tyne  
NE1 1EH

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SHARED INTEREST SOCIETY LIMITED

We have audited the financial statements (the "financial statements") of Shared Interest Society Limited for the year ended 30 September 2011 which comprise the Society Profit and Loss Account, the Society Balance Sheet, the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of financial statements which 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 (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 9(1) and Section 13(5) of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and Society's affairs as at 30 September 2011 and of the group's and Society's income and expenditure and the group's cash flows for the year then ended; and
- have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Act 1968 requires us to report to you if, in our opinion:

- the Society has not kept proper books of account in accordance with Section 1(1)(a) of the Friendly and Industrial and Provident Societies Act 1968; or
- a satisfactory system of control over transactions has not been maintained in accordance with Section 1(1)(b) of the Friendly and Industrial and Provident Societies Act 1968; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne

14 December 2011

The maintenance and integrity of the Shared Interest website is the responsibility of the Society; 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# SOCIETY PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

|   | Notes | 2011  |                  | 2010  |                   |
|---|-------|-------|------------------|-------|-------------------|
|   |       | £'000 | £'000            | £'000 | £'000             |
| <b>Income receivable:</b>                       |       |       |                  |       |                   |
| Credit charges                                  |       |       | 1,684            |       | 1,602             |
| Transmission charges                            |       |       | 44               |       | 50                |
| Deposit interest:                               |       |       |                  |       |                   |
| Social banks                                    |       |       | 1                |       | 15                |
| Co-operative Bank                               |       |       | 635              |       | 515               |
| Donations                                       |       |       | 58               |       | 43                |
|   |       |       | <u>2,422</u>     |       | <u>2,225</u>      |
| Less:   |       |       |                  |       |                   |
| Bank interest payable                           |       | (119) |                  | (112) |                   |
| Transmission costs                              |       | (53)  |                  | (59)  |                   |
| Exchange losses                                 |       | (9)   |                  | (10)  |                   |
| Finance costs                                   |       |       | <u>(181)</u>     |       | <u>(181)</u>      |
| Provision for doubtful debts                    |       |       | <u>(670)</u>     |       | <u>(327)</u>      |
| Operating income                                |       |       | 1,571            |       | 1,717             |
| <b>Less expenses:</b>                           |       |       |                  |       |                   |
| Operating                                       | 5     |       | <u>(1,483)</u>   |       | <u>(1,540)</u>    |
| Profit before taxation                          |       |       | 88               |       | 177               |
| Corporation tax                                 | 6     |       | <u>(15)</u>      |       | <u>(22)</u>       |
| <b>Profit for the year</b>                      |       |       | 73               |       | 155               |
| Interest on share capital                       | 7     |       | -                |       | -                 |
| <b>Profit for the year after share interest</b> |       |       | <u><u>73</u></u> |       | <u><u>155</u></u> |

The Society's income and expenditure all relate to continuing operations.

The accompanying notes form an integral part of these financial statements.

The Society has no recognised gains and losses other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented.

# SOCIETY BALANCE SHEET

AS AT 30 SEPTEMBER 2011

|  | Notes | 2011          |               | 2010          |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | £'000         | £'000         | £'000         | £'000         |
| <b>Tangible fixed assets</b>                 | 8     |               | 31            |               | 24            |
| <b>Investments</b>                           | 9     |               | 101           |               | 97            |
| <b>Loans:</b>                                |       |               |               |               |               |
| Fair trade credit limits                     |       |               |               |               |               |
| Approved                                     |       | 30,510        |               | 31,231        |               |
| less: not yet committed                      |       | (160)         |               | (478)         |               |
| Committed                                    |       | <u>30,350</u> |               | <u>30,753</u> |               |
| less: undrawn balances                       |       | (10,628)      |               | (10,981)      |               |
| Drawn  |       | <u>19,722</u> |               | <u>19,772</u> |               |
| Net advances to customers                    |       |               | 19,722        |               | 19,772        |
|  |       |               | <u>19,854</u> |               | <u>19,893</u> |
| <b>Current assets and liabilities:</b>       |       |               |               |               |               |
| Foreign exchange credit line:                |       |               |               |               |               |
| Collateral account                           | 2     | 25,491        |               | 23,407        |               |
| less: drawings                               |       | (17,634)      |               | (17,967)      |               |
|  |       | <u>7,857</u>  |               | <u>5,440</u>  |               |
| Deposits with social banks                   |       | 318           |               | 315           |               |
| Cash at bank and in hand                     |       | <u>1,990</u>  |               | <u>3,770</u>  |               |
| Total cash                                   |       | 10,165        |               | 9,525         |               |
| Debtors and prepayments                      | 10    | <u>332</u>    |               | <u>286</u>    |               |
| Current assets                               |       | 10,497        |               | 9,811         |               |
| Creditors and accruals                       | 11    | <u>(581)</u>  |               | <u>(573)</u>  |               |
| <b>Net current assets</b>                    |       |               | 9,916         |               | 9,238         |
| <b>Creditors falling due after one year:</b> |       |               |               |               |               |
| Bond due 2016                                |       |               | (40)          |               | -             |
|  |       |               | <u>29,730</u> |               | <u>29,131</u> |
| <b>Share capital and reserves:</b>           |       |               |               |               |               |
| Share capital                                | 12    | 28,208        |               | 27,682        |               |
| Reserve for lending losses                   | 13    | 766           |               | 766           |               |
| Profit and loss account                      | 14    | <u>756</u>    |               | <u>683</u>    |               |
|  |       |               | 29,730        |               | 29,131        |
|  |       |               | <u>29,730</u> |               | <u>29,131</u> |

These financial statements were approved by the Directors and authorised for issue on 14 December 2011.

Kate Priestley, Chair

Patricia Alexander, Managing Director

Tim Morgan, Company Secretary

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

|  | Notes | 2011               | 2010              |
|--|-------|--------------------|-------------------|
|  |       | £'000              | £'000             |
| <b>Income receivable:</b>                              |       |                    |                   |
| Credit charges   |       | 1,684              | 1,602             |
| Transmission charges                                   |       | 44                 | 50                |
| Deposit interest:                                      |       |                    |                   |
| Social banks   |       | 1                  | 15                |
| Co-operative Bank                                      |       | 635                | 515               |
| Grants and donations                                   |       | 337                | 309               |
|  |       | <u>2,701</u>       | <u>2,491</u>      |
| Less:  |       |                    |                   |
| Bank interest payable                                  |       | (119)              | (112)             |
| Transmission costs                                     |       | (53)               | (59)              |
| Exchange losses  |       | (9)                | (10)              |
| Finance costs  |       | <u>(181)</u>       | <u>(181)</u>      |
| Provision for doubtful debts                           |       | <u>(670)</u>       | <u>(327)</u>      |
| Operating income                                       |       | 1,850              | 1,983             |
| <b>Less expenses:</b>                                  |       |                    |                   |
| Operating  | 5     | <u>(1,871)</u>     | <u>(1,734)</u>    |
| (Loss)/profit before taxation                          |       | (21)               | 249               |
| Corporation tax  | 6     | <u>(15)</u>        | <u>(22)</u>       |
| <b>(Loss)/profit for the year</b>                      |       | <u>(36)</u>        | <u>227</u>        |
| Interest on share capital                              | 7     | -                  | -                 |
| <b>(Loss)/profit for the year after share interest</b> |       | <u><u>(36)</u></u> | <u><u>227</u></u> |

The consolidated income and expenditure all relate to continuing operations.

The accompanying notes form an integral part of these financial statements.

The group has no recognised gains and losses other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented.

# CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2011

|  | Notes | 2011          |               | 2010          |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | £'000         | £'000         | £'000         | £'000         |
| <b>Tangible fixed assets</b>                 | 8     |               | 31            |               | 24            |
| <b>Investments</b>                           | 9     |               | 101           |               | 97            |
| <b>Loans:</b>                                |       |               |               |               |               |
| Fair trade credit limits                     |       |               |               |               |               |
| Approved                                     |       | 30,510        |               | 31,231        |               |
| less: not yet committed                      |       | (160)         |               | (478)         |               |
| Committed                                    |       | <u>30,350</u> |               | <u>30,753</u> |               |
| less: undrawn balances                       |       | (10,628)      |               | (10,981)      |               |
| Drawn  |       | <u>19,722</u> |               | <u>19,772</u> |               |
| Net advances to customers                    |       |               | 19,722        |               | 19,772        |
|  |       |               | <u>19,854</u> |               | <u>19,893</u> |
| <b>Current assets and liabilities:</b>       |       |               |               |               |               |
| Foreign exchange credit line:                |       |               |               |               |               |
| Collateral account                           | 2     | 25,491        |               | 23,407        |               |
| less: drawings                               |       | (17,634)      |               | (17,967)      |               |
|  |       | <u>7,857</u>  |               | <u>5,440</u>  |               |
| Deposits with social banks                   |       | 318           |               | 315           |               |
| Cash at bank and in hand                     |       | <u>2,340</u>  |               | <u>4,328</u>  |               |
| Total cash                                   |       | 10,515        |               | 10,083        |               |
| Debtors and prepayments                      | 10    | <u>289</u>    |               | <u>273</u>    |               |
| Current assets                               |       | 10,804        |               | 10,356        |               |
| Creditors and accruals                       | 11    | (771)         |               | (892)         |               |
| <b>Net current assets</b>                    |       |               | 10,033        |               | 9,464         |
| <b>Creditors falling due after one year:</b> |       |               |               |               |               |
| Bond due 2016                                |       |               | (40)          |               | -             |
|  |       |               | <u>29,847</u> |               | <u>29,357</u> |
| <b>Share capital and reserves:</b>           |       |               |               |               |               |
| Share capital                                | 12    | 28,208        |               | 27,682        |               |
| Reserve for lending losses                   | 13    | 766           |               | 766           |               |
| Profit and loss account                      | 14    | <u>873</u>    |               | <u>909</u>    |               |
|  |       |               | 29,847        |               | 29,357        |
|  |       |               | <u>29,847</u> |               | <u>29,357</u> |

These accounts were approved by the Directors and authorised for issue on 14 December 2011.

Kate Priestley, Chair

Patricia Alexander, Managing Director

Tim Morgan, Company Secretary

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

|  | Notes | 2011<br>£'000  | 2010<br>£'000 |
|--|-------|----------------|---------------|
| <b>Net cash inflow from operating activities</b> | 16    | (32)           | 623           |
| Returns on investments and servicing of finance  | 17    | -              | (21)          |
| Taxation   |       | (15)           | (22)          |
| Capital expenditure:                             | 18    | (21)           | (6)           |
| Management of liquid resources                   |       | (2,417)        | 55            |
| Financing  | 19    | 497            | 649           |
| (Decrease)/Increase in cash in the year          |       | <u>(1,988)</u> | <u>1,278</u>  |

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

|  | 2011<br>£'000  | 2010<br>£'000 |
|--|----------------|---------------|
| (Decrease)/Increase in cash in the year        | (1,988)        | 1,278         |
| Movement in debt outstanding at the period end | 29             | 917           |
| Movement in net funds for the year             | <u>(1,959)</u> | <u>2,195</u>  |
| Net funds at 1 October 2010                    | 3,903          | 1,708         |
| Net funds at 30 September 2011                 | <u>1,944</u>   | <u>3,903</u>  |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(a) The financial statements have been prepared under the historic cost convention and under the UK accounting policies set out below. The financial statements have been prepared under the going concern basis using consistently applied accounting policies.

(b) Recognition of income policy: interest on advances is recognised from the date each advance is drawn until date repaid or until the Board of Directors decide that the loan and interest are irrecoverable. At this time the Board will make a provision for these amounts in the accounts and stop accruing interest. These provisions are reviewed at each Board meeting and the balance may eventually be written off as a bad debt.

Grants and donations are recognised in the financial statements of the subsidiary, Shared Interest Foundation, on a receivable basis under the provisions of current charity accounting rules, the charities SORP. However in the Consolidated Financial Statements they are accounted for under Statement of Standard Accounting Practice (SSAP) 4 and income is only recognised in the Profit and Loss account once it has been earned. At 30 September 2011 £188k of grant income from Comic Relief which was received before the end of September 2010 and was recognised as Restricted Income in the accounts of Shared Interest Foundation in the accounting year to 30 September 2010, is still held in the Balance Sheet as deferred income in these Consolidated Accounts.

(c) Interest on loans and bank balances is credited to the profit and loss account as it accrues.

(d) Producer rebates recognition policy: at the discretion of the Directors, any risk premium charged to producers may be refunded annually, if that producer has operated their account satisfactorily. If a decision is made to refund risk premium, a provision is made within the accounting period during which the refund accrued.

(e) Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Depreciation has been provided to write off fixed assets on a straight-line basis over their anticipated useful life (3 to 5 years).

(f) Exchange rates: Monetary assets and liabilities denominated in foreign currencies are stated in the Balance Sheet at the equivalent value in sterling at the exchange rate prevailing at the Balance Sheet date. Transactions during the year denominated in foreign currencies are stated at their equivalent value in sterling at the exchange rate prevailing at the date of the transaction.

(g) A "social bank" is a deposit-taking institution that employs monies deposited by the Society wholly or mainly in activities which are compatible with the Society's object, in addition to providing a return on investment.

(h) Interest on share capital is treated as an appropriation of profits in accordance with the Society's rules.

(i) Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

(j) Pension contributions. The Society makes payments to a defined contribution pension scheme on behalf of each of its employees who opt to be in the scheme. The pension cost charged in the financial statements represents the contributions payable by the Society during the year.

(k) The consolidated financial statements comprise the financial statements of the Society and its subsidiary up to 30 September 2011. They are prepared on a going concern basis using consistently applied accounting policies and eliminating any intra-group profits or losses on transactions.

(l) Investments are stated at cost less provisions for any permanent diminution in value. Impairment reviews are performed where there has been an indication of impairment.

(m) Liquid resources, as presented in the cashflow statement, represent the balance of cash collateral held with the Bank and remaining undrawn at the 30 September.

## 2. FOREIGN EXCHANGE CREDIT LINE COLLATERAL ACCOUNT

The Society has agreed a facility with the Co-operative Bank plc under which it may draw money in any major currency at inter-bank interest rates in order to fund its foreign currency advances. The Society is required to maintain as security a cash deposit with the Bank of 100% of the facility amount, upon which it receives interest.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. EMPLOYEES

The average number of persons employed by the Society (including Executive Directors) during the year was:

|           | Group |      | Society |      |
|-----------|-------|------|---------|------|
|           | 2011  | 2010 | 2011    | 2010 |
| Full-time | 30    | 30   | 28      | 28   |
| Part-time | 1     | 1    | 1       | 1    |

and their aggregate remuneration was:

|                               | £'000      | £'000      | £'000      | £'000      |
|-------------------------------|------------|------------|------------|------------|
| Wages and salaries            | 796        | 800        | 740        | 753        |
| Employers' National Insurance | 74         | 72         | 68         | 67         |
| Pension costs                 | 64         | 62         | 60         | 58         |
|                               | <u>934</u> | <u>934</u> | <u>868</u> | <u>878</u> |

### 4. DIRECTORS' REMUNERATION

|  | Group & Society |            |
|--|-----------------|------------|
|  | 2011            | 2010       |
|  | £'000           | £'000      |
| <b>Executive:</b>  |                 |            |
| Patricia Alexander   | 63              | 59         |
| Tim Morgan (based on 3.5 days a week employment)                     | 40              | 25         |
| <b>Non-executive:</b>  |                 |            |
| Philip Angier (Chair) (retired March 2010)                           | -               | 2          |
| Kate Priestley (Chair)   | 3               | 3          |
| Peter Freeman  | 2               | 2          |
| Gill Dandy   | 2               | 2          |
| David Nussbaum   | 2               | 2          |
| Carol Wills  | 2               | 2          |
| Ruth McIntosh  | 2               | 2          |
| David Buffham (resigned March 2011)                                  | 1               | -          |
| <b>Total costs are as follows:</b>                                   |                 |            |
| Salaries   | 103             | 84         |
| Non-Executive Directors' fees (as detailed above) and after rounding | 16              | 16         |
| Employers' National Insurance  | 12              | 10         |
| Pension contributions  | 9               | 7          |
| <b>Total remuneration</b>  | <u>140</u>      | <u>117</u> |

### 5. EXPENSES

|   | Group        |              | Society      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2011         | 2010         | 2011         | 2010         |
|   | £'000        | £'000        | £'000        | £'000        |
| Personnel costs *                           | 960          | 981          | 894          | 919          |
| Occupancy costs                             | 164          | 165          | 150          | 155          |
| Depreciation (note 8)                       | 17           | 20           | 17           | 20           |
| Directors' fees                             | 16           | 16           | 16           | 16           |
| Auditor's remuneration:                     |              |              |              |              |
| As auditor - PwC / Baker Tilly UK Audit LLP | 21           | 21           | 19           | 20           |
| Other professional fees                     | 33           | 32           | 33           | 32           |
| Other operating expenses                    | 660          | 499          | 354          | 378          |
|   | <u>1,871</u> | <u>1,734</u> | <u>1,483</u> | <u>1,540</u> |

\* Personnel costs includes the salary and associated costs from Note 3 above plus other associated costs such as training.

**6. CORPORATION TAX CHARGE**

|  | <b>Group &amp; Society</b> |                  |                  |                  |
|--|----------------------------|------------------|------------------|------------------|
|  | <b>2011</b>                |                  | <b>2010</b>      |                  |
|  | <b>£'000</b>               |                  | <b>£'000</b>     |                  |
| <b>UK Corporation Tax</b>  |                            |                  |                  |                  |
| Current tax on income for the period   |                            |                  | 5                | 28               |
| Under/(over) provision for earlier years   |                            |                  | 10               | (6)              |
| Tax on profit on ordinary activities   |                            |                  | <u>15</u>        | <u>22</u>        |
|  |                            |                  | <u><u>15</u></u> | <u><u>22</u></u> |
|  | <b>Group</b>               |                  | <b>Society</b>   |                  |
|  | <b>2011</b>                | <b>2010</b>      | <b>2011</b>      | <b>2010</b>      |
|  | <b>£'000</b>               | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     |
| Profit on ordinary activities before tax:  | <u>(21)</u>                | <u>249</u>       | <u>88</u>        | <u>177</u>       |
| Profit on ordinary activities multiplied by 20.5%, being the small companies' rates of corporation tax in the UK during the period (2010: 21%) | (4)                        | 50               | 18               | 35               |
| Effects of:  |                            |                  |                  |                  |
| Differences between capital allowances for the period and depreciation   | (2)                        | 1                | (2)              | 1                |
| Charity (surplus)/deficit  | 22                         | -                | -                | -                |
| Income not taxable   | (11)                       | (23)             | (11)             | (8)              |
| Under/(over) provision in prior years  | 10                         | (6)              | 10               | (6)              |
|  | <u>15</u>                  | <u>22</u>        | <u>15</u>        | <u>22</u>        |
|  | <u><u>15</u></u>           | <u><u>22</u></u> | <u><u>15</u></u> | <u><u>22</u></u> |

The small company rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2011. Accordingly the Society's profits for this accounting period are taxed at an effective rate of 20.5% and will be taxed at 20% in the future.

**7. INTEREST ON SHARE CAPITAL**

**Group & Society**

Interest of £nil (2010: £nil) was payable to members after excluding interest waived by members amounting to £nil (2010: £nil). Interest was accrued at a rate of 0% for the full year. Interest on the share capital of an Industrial and Provident Society is deductible as an expense for the purposes of Corporation Tax.

**8. TANGIBLE FIXED ASSETS**

|                                 | <b>Group &amp; Society</b> |
|---------------------------------|----------------------------|
|                                 | <b>£'000</b>               |
| <b>Cost</b>                     |                            |
| 1 October 2010                  | 122                        |
| Additions                       | 25                         |
| Disposals                       | (8)                        |
| 30 September 2011               | <u>139</u>                 |
| <b>Accumulated depreciation</b> |                            |
| 1 October 2010                  | 98                         |
| Charge for year                 | 17                         |
| Depreciation on disposals       | (7)                        |
| 30 September 2011               | <u>108</u>                 |
| <b>Net book value</b>           |                            |
| 1 October 2010                  | 24                         |
| 30 September 2011               | <u>31</u>                  |

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INVESTMENTS

At 30 September 2011 the Society had share investments of £101,000 (2010: £97,000). These represent an investment in Oikocredit of £71,000 (2010: £68,000) and investments in social banks of £30,000 (2010: £29,000).

### 10. DEBTORS AND PREPAYMENTS

|   | Group      |            | Society    |            |
|---|------------|------------|------------|------------|
|   | 2011       | 2010       | 2011       | 2010       |
|   | £'000      | £'000      | £'000      | £'000      |
| Amounts due from Shared Interest Foundation | -          | -          | 47         | 18         |
| Accrued income                              | 246        | 214        | 246        | 214        |
| Prepayments                                 | 43         | 59         | 39         | 54         |
|   | <u>289</u> | <u>273</u> | <u>332</u> | <u>286</u> |

### 11. CREDITORS FALLING DUE WITHIN ONE YEAR

|   | Group      |            | Society    |            |
|---|------------|------------|------------|------------|
|   | 2011       | 2010       | 2011       | 2010       |
|   | £'000      | £'000      | £'000      | £'000      |
| Taxation and social security              | 26         | 49         | 26         | 49         |
| Trade creditors                           | 62         | 32         | 62         | 32         |
| Unclaimed loan stock                      | 356        | 425        | 356        | 425        |
| Amounts due to Shared Interest Foundation | -          | -          | -          | -          |
| Comic Relief grant                        | 188        | 316        | -          | -          |
| Other creditors                           | 8          | 8          | 8          | 8          |
| Accruals                                  | 131        | 62         | 129        | 59         |
|   | <u>771</u> | <u>892</u> | <u>581</u> | <u>573</u> |

In 2010 Shared Interest Foundation was awarded a grant from Comic Relief for a major project, the 'Swaziland Craft Industry Development Programme'. £188,000 which has been received from Comic Relief in advance is shown as a creditor above.

### 12. MOVEMENT IN SHARE CAPITAL

|                   | Group & Society |  |
|-------------------|-----------------|--|
|                   | £'000           |  |
| 1 October 2010    | 27,682          |  |
| Receipts          | <u>2,257</u>    |  |
| Withdrawals       | <u>(1,731)</u>  |  |
| Net inflow        | 526             |  |
| 30 September 2011 | <u>28,208</u>   |  |

Shares are withdrawable at six months' notice. During the year Directors continued to exercise their discretion to allow withdrawal on demand. The right to withdraw may be suspended without notice. At 30 September 2011, Directors had not suspended the withdrawal of shares. The entitlement of members to the assets of the Society is limited to the shares that they hold in the Society, together with any interest declared by Directors on those shares.

### 13. RESERVE FOR LENDING LOSSES

|                 | Group & Society |            |
|-----------------|-----------------|------------|
|                 | 2011            | 2010       |
|                 | £'000           | £'000      |
| Balance forward | 766             | 766        |
| Carried forward | <u>766</u>      | <u>766</u> |

The lending loss reserve may be applied in meeting any contingency affecting the business of the Society as the Directors may recommend and as a general meeting may by ordinary resolution determine.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. PROFIT AND LOSS ACCOUNT

|                            | Group      |            | Society    |            |
|----------------------------|------------|------------|------------|------------|
|                            | 2011       | 2010       | 2011       | 2010       |
|                            | £'000      | £'000      | £'000      | £'000      |
| Balance brought forward    | 909        | 682        | 683        | 528        |
| (Loss)/profit for the year | (36)       | 227        | 73         | 155        |
| Balance carried forward    | <u>873</u> | <u>909</u> | <u>756</u> | <u>683</u> |

### 15. CASH FLOW OF LENDING ACTIVITIES

|                                 | 2011         | 2010           |
|---------------------------------|--------------|----------------|
|                                 | £'000        | £'000          |
| Cash advanced                   | (53,811)     | (45,171)       |
| Cash recovered (or written off) | 53,191       | 42,861         |
| Net (increase) in funds loaned  | <u>(620)</u> | <u>(2,310)</u> |

### 16. RECONCILIATION OF CONSOLIDATED PROFIT BEFORE TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES

|   | 2011        | 2010       |
|---|-------------|------------|
|   | £'000       | £'000      |
| Profit before taxation                    | (21)        | 249        |
| Depreciation charges                      | 17          | 20         |
| Profit on disposal of fixed assets        | (3)         | -          |
| Provision for bad debts                   | 670         | 327        |
| Decrease/(Increase) in debtors            | (20)        | 974        |
| Increase in creditors                     | (52)        | 383        |
| (Increase) in funds loaned                | (620)       | (2,310)    |
| Cash (advanced)/withdrawn to social banks | (3)         | 980        |
| Net cash from operating activities        | <u>(32)</u> | <u>623</u> |

### 17. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

|                     | 2011     | 2010      |
|---------------------|----------|-----------|
|                     | £'000    | £'000     |
| Share interest paid | <u>-</u> | <u>21</u> |

### 18. CAPITAL EXPENDITURE

|   | 2011        | 2010       |
|---|-------------|------------|
|   | £'000       | £'000      |
| Payments made to acquire tangible fixed assets less sale proceeds | (21)        | (6)        |
|   | <u>(21)</u> | <u>(6)</u> |

### 19. CASH FINANCING

|                     | 2011       | 2010       |
|---------------------|------------|------------|
|                     | £'000      | £'000      |
| Share receipts      | 2,257      | 3,141      |
| Share withdrawals   | (1,731)    | (1,510)    |
| Net debt (redeemed) | (29)       | (982)      |
|                     | <u>497</u> | <u>649</u> |

## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL COMMITMENTS

Financial commitments at the year-end under non-cancellable leases will result in the following payments:

|  | 2011         | 2010         |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>Land and buildings</b>              |              |              |
| Annual commitment for leases expiring: |              |              |
| One to five years                      | 68           | -            |
| After five years                       | -            | 68           |
|  | <u>68</u>    | <u>68</u>    |

### 21. SUBSIDIARY

The Society is the only member of the charitable company Shared Interest Foundation (SIF). SIF is a company limited by guarantee and registered in England and Wales. SIF's objectives are to advance education and training; and to relieve poverty, sickness and distress in all parts of the world in all respects for the benefit of the public.

The reserves of SIF at 30 September 2011 were £305k (2010: £542k) and the net income for the year ended 30 September 2011 was minus £238k (2010: £388k). Restricted income in the current year totalling £69k includes £24k received from the Big Lottery Fund (2010: £71k) and £8k from Comic Relief. This income is restricted due to the terms and conditions of the grant funding agreement. The balance of restricted funds at the year end of £195k includes £188k arising from Comic Relief funding, much of which is due to be spent in the 2011/12 financial year. In these consolidated accounts, the Comic Relief grant is treated (under normal UK accounting rules rather than charity accounting rules) as deferred income and is shown in creditors under Note 11. During the year, a charge of £14,196 (2010: £10,117) was paid by the Foundation to the Society in respect of rent and related attributable overheads and a sum of £27,336 (2010: £6,431) was paid by the Foundation to the Society in respect of services to it provided by staff employed by the Society.

### 22. ANALYSIS OF NET FUNDS

|                          | 1 Oct 2010   | Cash Flow      | 30 Sept 2011 |
|--------------------------|--------------|----------------|--------------|
|                          | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| Cash at bank             | 4,328        | (1,988)        | 2,340        |
| Debt due within one year | (425)        | 69             | (356)        |
| Debt due after one year  | -            | (40)           | (40)         |
| Net funds                | <u>3,903</u> | <u>(1,959)</u> | <u>1,944</u> |

### 23. RECONCILIATION OF SHAREHOLDERS' FUNDS

|                                     | 2011          | 2010          |
|-------------------------------------|---------------|---------------|
|                                     | <b>£'000</b>  | <b>£'000</b>  |
| Decrease in proposed share interest | -             | (21)          |
| Increase in share capital           | 526           | 1,631         |
| (Loss)/Profit for the year          | (36)          | 227           |
| Net increase in shareholders' funds | <u>490</u>    | <u>1,837</u>  |
| Shareholders' funds at 1 October    | 29,357        | 27,520        |
| Shareholders' funds at 30 September | <u>29,847</u> | <u>29,357</u> |

### 24. SUBSEQUENT EVENTS

On 1 November 2011, Shared Interest Society signed a loan agreement with Comic Relief to borrow a sum of £1.3m for six years, in order to extend the work of the Society in Africa. Following this the loan was drawn down on 17 November 2011.



# SHARED INTEREST

2 Cathedral Square  
Groat Market  
Newcastle upon Tyne  
NE1 1EH

0191 233 9100  
[www.shared-interest.com](http://www.shared-interest.com)



The Shared Interest 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.