



FINANCE WITH A HUMAN FACE

ANNUAL REVIEW 2018



SHAREDINTEREST
INVESTING IN A FAIRER WORLD



IN 2018 WE SUPPORTED ALMOST HALF A MILLION PEOPLE





WELCOME TO OUR 2018 REVIEW

As Chair, I am delighted to introduce our Annual Review for 2018.

The year began with a period of forecasting and planning as the staff team undertook a full Strategic Review for the next five years. Our stakeholders played an important part in this process and together we identified four key themes: certifications, governance, new markets, and climate change.

I am delighted to say that, despite the continuing period of political uncertainty, in the UK, investment has grown by 5%, passing the milestone of £40 million in January 2018, and ending the year with a Share Capital total of almost £41.4 million.

Our main aim remains to support producers who are otherwise unable to access finance and I am pleased to report that we continued to strengthen this relationship, with the value of funds lent directly to producers increasing from 63% to 66% since last year. Given that, according to a study by Dalberg, an estimated two billion people lack access to formal financial services, I believe that it is imperative that we maintain this momentum.

Supporting buyers to pre-finance orders has provided another route to reach producers in remote communities, particularly in countries where we cannot operate directly. One example is the facility offered to Peruvian buyer Inka Moss, which supports Sphagnum Moss farmers in the Andean highlands. This region provides one of the most challenging farming terrains in the world where there are few opportunities to earn an income. Founder and General Manager of Inka Moss,

Marco Pinatelli, said: “We approached Shared Interest for finance so that we can pay the farmers for moss on delivery to our factory. The loan has also given us the opportunity to include more remote communities within our supply chain.”

We continue to grow a diverse product mix in our lending portfolio, although coffee and cocoa still make up the largest portion at 38% and 21% respectively. Artisan products continue to hold a small but vital place, with 10% of our payments going to these producers. Although these tend to be low value facilities, we believe they achieve a significant social impact, as the majority of other social lenders do not offer finance to this sector.

Other landmark moments in the past 12 months include the lively and informed strategic review workshops; a series of member events in London, Manchester, Edinburgh, Aberdeen and Bristol; our overseas Regional Managers speaking to a captive audience at our AGM in Gateshead, and our lending team achieving the highest level of lending in our history.

We are grateful to all of our investors, donors and volunteers for their support and generosity. I am especially appreciative of our volunteers who continue to give their precious time to Shared Interest to help fulfil our mission. Thanks also go to the Shared Interest team, staff, Board and Council. I hope you enjoy reading this year’s review, which offers more highlights from 2017/18.

Chair, Mary Coyle



MISSION & VALUES

Our mission is to provide financial services and business support to make livelihoods and living standards better for people as they trade their way out of poverty. We work collaboratively and innovatively with those who share our commitment to fair and just trade.

With a community of investors and the support of donors and volunteers, we seek to contribute to a world where justice is at the heart of trade finance.

“It’s a meeting of hearts and minds”

John Dossou,
Regional Representative, West Africa

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

We will:

- Work co-operatively with our members as we take and share risk
- Value and engage our donors and supporters
- Encourage the commitment, talents and energy of our staff in an environment of mutual respect
- Work collaboratively and innovatively with those who share our commitment to fair and just trade
- Work to recognised fair trade standards
- Respect the diversity of different cultures
- Place partnership at the heart of what we do



WHAT WE DO

Shared Interest is an ethical investment organisation, aiming to alleviate poverty by helping people in remote and disadvantaged communities to trade and earn a living.

We act co-operatively with over 11,700 investors coming together to achieve a common goal. We use their collective £41.4m of investments to provide loans and credit facilities, primarily to fair trade businesses, to ensure that farmers are paid on time for their crops.

Our finance helps handcraft organisations to buy raw materials, and enables co-operatives to pre-finance orders from their overseas buyers. We support products such as coffee, fresh fruit, nuts, and cocoa, as well as handcrafts such as weaved baskets and furniture.

This year we made payments totalling £62.9m to 363 organisations in 63 countries. Our work is not just about providing finance on fair terms. The fair trade producers we work with say that we have helped transform their communities. Last year, our members helped make a positive impact on the lives of over 470,000 individuals.

“The loan has fostered a sense of belonging in our members; hence the growth of our membership.”

Mark Obese, Fanteakwa Manager, Ghana



IN 2018
WE LENT
MONEY TO
175
PRODUCER
GROUPS
WITH A
COLLECTIVE
REVENUE OF
ALMOST
£615
MILLION

< Bailayiga Emmanuel processes fermented cocoa beans at a Pink Foods production facility.

GROWTH IN SHARE ACCOUNTS



2016 : £36.4m

2017 : £39.4m

2018 : £41.4m

MEMBERSHIP

Our membership is diverse and includes faith groups, fair trade partnerships, small businesses, schools and community organisations as well as individuals. Of the 9,892 Share Accounts, 8,027 are held by individuals and 1,865 are held jointly or by groups or organisations. The average age of a member is 63, a reduction from 68 years in 2014.

This year, 474 Share Accounts were opened and we increased investment by £2.01 million with a closing Share Capital total of £41.4 million. Every £1 invested by members was lent 1.56 times in the year.

Each member has an equal voice and vote, regardless of account size, and 14% of our total membership used this right by attending our AGM, returning a postal ballot, or voting online. In January, many members

participated in our strategic review process through workshops, and a member survey. It was clear that they remain very passionate about the Society and want us to continue supporting producers in disadvantaged communities, and particularly those small and marginalised groups.

In addition to the AGM, we held five regional member events to give attendees the chance to meet other supporters and ask questions of the Board and staff. Feedback from attendees shows that the majority (65%) had not previously been to a Shared Interest event.

We strongly believe in transparency, and for the 13th year, we produced a detailed set of Social Accounts outlining our activities and achievements in 2018. A copy of the report is available to download on our website.

IN 2018

474

ACCOUNTS
WERE OPENED

271

ACCOUNTS
WERE CLOSED



< Jjuma Wagalaka, cocoa farmer from Pink Foods.

INVESTORS

BUSINESS

Greggs

During Fairtrade Fortnight, UK's leading bakery food-on-the-go retailer Greggs, opened a Share Account to show their ongoing commitment to creating a better livelihood for farmers in the developing world.

With more than 1,850 shops across the UK, Greggs was founded in the North East just like Shared Interest.

Our Managing Director, Patricia Alexander said: "We are delighted to welcome Greggs as the first high-street company to invest in Shared Interest. It is fitting that a company that has its roots in our local community is now helping us to transform communities across the globe."

Malcolm Copland, Commercial Director at Greggs said: "As a responsible business, we believe in doing the right thing and are incredibly proud to be a long-standing partner of Fairtrade. A number of our products, including coffee, are certified Fairtrade and it has been incredible to see the positive impact and difference we can make to producer communities. We look forward to building on this success further and doing our bit to help change the lives of the thousands of people involved."

Patricia continued: "The demand for our finance has never been higher and we are proud to join forces with another local organisation to help more farmers growing the products we enjoy every day."

INDIVIDUAL

Esther Smith

Sixteen-year-old Esther recently became a member of Shared Interest following the death of her Great Aunt Doreen.

Doreen was one of the founder members of Shared Interest and had a keen interest in social justice. She was involved in several organisations, which support dignity and self-reliance in areas such as literacy, women's rights, international reconciliation, and of course Fairtrade. This passion to help others rubbed off on those who knew her, and when she died, her family were keen to continue her legacy.

Her nephew, David Smith, explained: "Doreen introduced me to Shared Interest in the 1990's. As her Executors, my sister, brother and I thought it would be fitting to re-invest the proceeds of her Share Account back into Shared Interest. We divided the funds between our children, and suggested that they each open a Share Account of their own when they reach 16 years of age."

Esther said: "My memory of Doreen is that she was always interested in making people's lives better, and I hope she would be pleased to know that we are following in her footsteps and helping to make a fairer world."

"We are delighted to welcome Greggs as the first high-street company to invest in Shared Interest."

**Patricia Alexander,
MD, Shared Interest**



“I chose Shared Interest as the work they do is phenomenal ... and the staff were friendly, delightful and supportive”

Jawwad Mustafa
volunteer

VOLUNTEERS

Volunteers play an integral role in promoting Shared Interest here in the UK, sharing their desire to see a fairer world; they enable us to raise awareness and support for our work to achieve this.

People volunteer with Shared Interest for a variety of reasons. We know that one key theme is wanting to share their skills, time, experience, knowledge and passion.

There is no such thing as a typical volunteer at Shared Interest. However, all of our volunteers share our vision of a fairer world. Shared Interest has involved 90 volunteers this year, across a variety of roles.

We continue to offer ongoing support through e-newsletters, volunteer meet ups and online forums. To celebrate Volunteer's Week, we sent a thank you card and gift to thank everyone involved during the year for their valued contributions.

Jawwad Mustafa
volunteered to carry out data entry for us this year.

I chose Shared Interest as the work they do is phenomenal. It is in line with the idea of ‘Give a man a fish, feed him for a day. Teach a man to fish, feed him for a lifetime’, it is the idea that giving money to those in need has a limited benefit, but being able to give those in need the tools to empower them to be able to make their own income is a more sustainable way to eliminate poverty.

“The staff that I interacted with were always friendly, delightful and supportive. They were always helpful with any queries that I had and made sure I was never alone in the work that I did for them.”

IN 2018 OUR
DATA ENTRY
VOLUNTEERS
ENTERED
1,258
MEMBER
SURVEY
RESPONSES



GLOBAL REACH

In 2018 we made payments to **363** organisations in **63** countries



Lucuma, USA (BUYER)

Lucuma Designs keeps Peruvian traditional crafts alive collaborating closely with around 300 artisans throughout Peru, 80% of whom are women.

We approved credit to help Lucuma improve their production, place advanced orders with their artists, and increase their range of goods.



Capim, Mexico (PRODUCER)

Capim produces organic honey. They have over 11,000 beehives, and work with more than 100 honey farmers across Mexico.

"The message we send to Shared Interest investors and volunteers is of a deep gratitude for the work they do in favour of the small beekeepers in Mexico."



Guayapi, France (BUYER)

Guayapi has been buying guaraná from the Amazonian rainforest community for almost 25 years. Guaraná is a coffee-bean sized fruit, packed with a naturally stimulating quality.

"Thank you to Shared Interest for the fair trade partnership with Guayapi, we have been able to give value to our guaraná, and thus to our culture and territory."



Liberation, UK (BUYER)

Liberation is the UK's only Fairtrade nut company. They work in partnership with farmers from Bolivia, El Salvador, India, Malawi and Nicaragua. A Shared Interest customer for over a decade, Liberation uses our finance to ensure large supermarket orders are fulfilled.

"It is our joy, that of the team at Liberation, to help give farmers the voice and opportunity to sell their product."



Gourmet Gardens, Uganda (PRODUCER)

Gourmet Gardens work with over 600 vanilla producers in Uganda and the Democratic Republic of Congo (DRC). They have been a Shared Interest customer for over seven years.

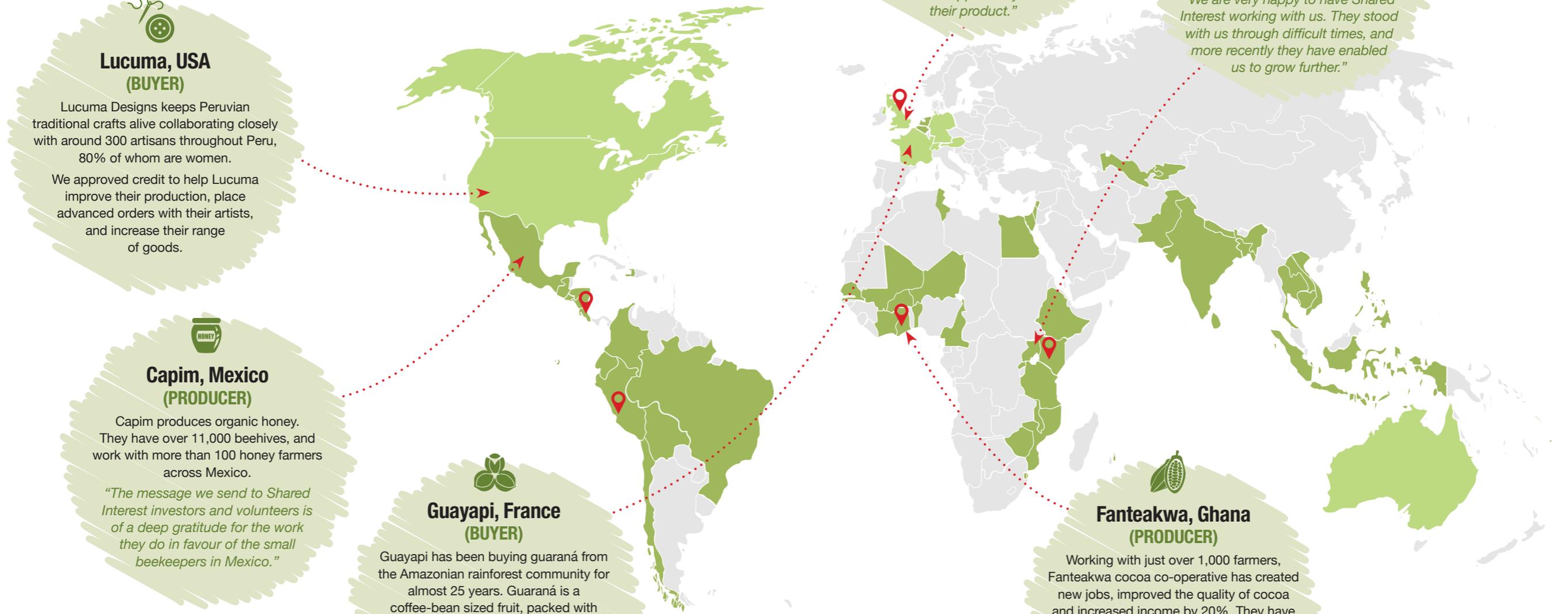
"We are very happy to have Shared Interest working with us. They stood with us through difficult times, and more recently they have enabled us to grow further."

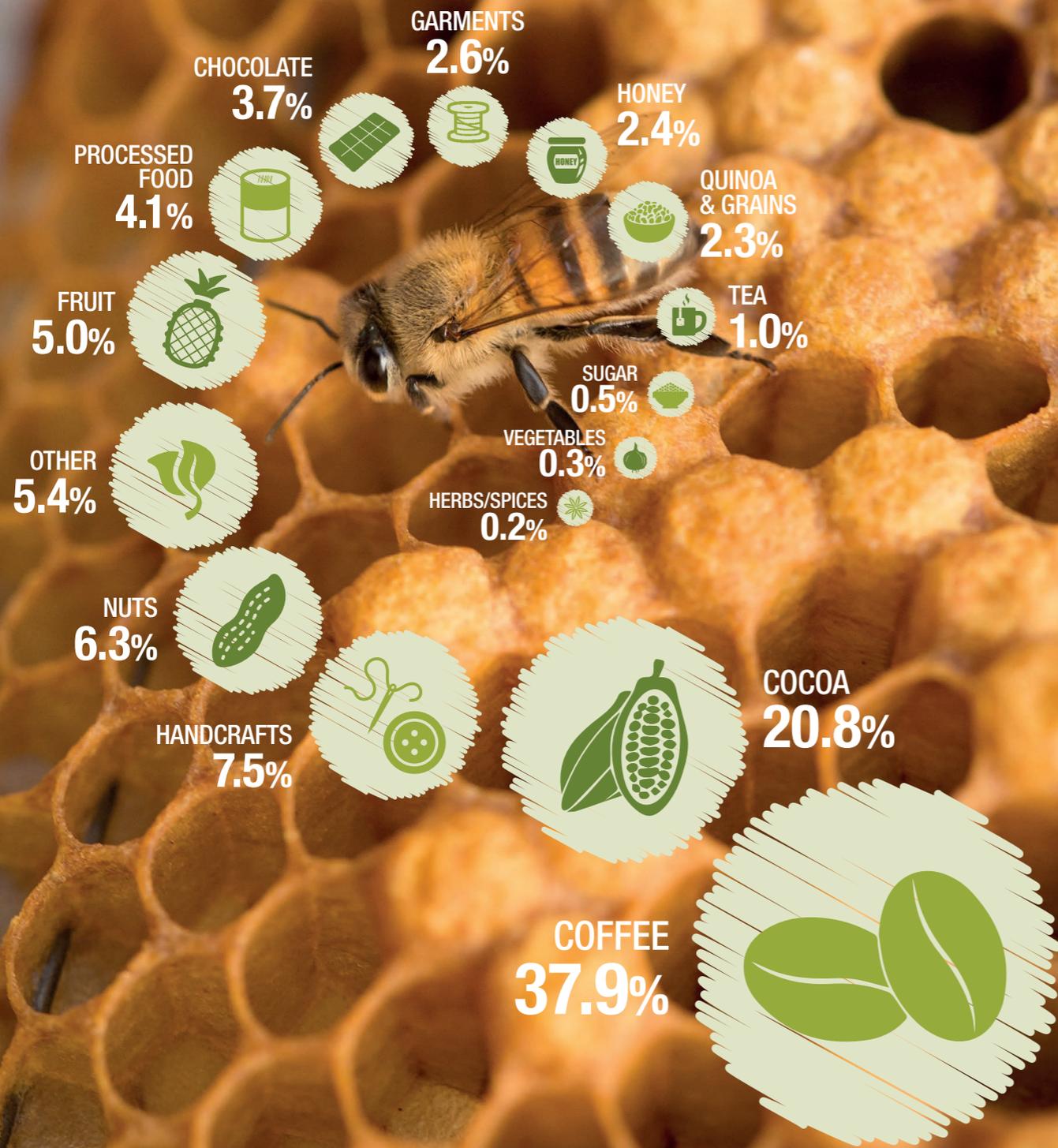


Fanteakwa, Ghana (PRODUCER)

Working with just over 1,000 farmers, Fanteakwa cocoa co-operative has created new jobs, improved the quality of cocoa and increased income by 20%. They have also purchased a vehicle with the loan from Shared Interest.

"I find that the loan has also fostered a sense of belongingness in our members; hence the growth of our membership."





OUR LENDING

Despite the progress made in increasing access to financial services, the majority of people living in developing countries still struggle to access finance, particularly where the main source of income is agriculture.

By connecting smallholder farmers and artisans to commercial markets, our lending has the opportunity to help provide employment to rural populations. With our support, these businesses can generate sustainable economic growth for households and their communities.

The people we are trying to help are producer groups, and we lend funds in two ways: directly to producer groups, and to wholesale or retail businesses buying raw materials or products.

For producers, we offer term loans for the purchase of assets such as a truck, or infrastructure such as a cableway to help move bananas. The majority of our support is in providing working capital to producers helping them fulfil their orders or a stock facility to buy raw materials such as fertiliser.

Most of the funds lent to buyers are used to pre-finance orders as they often want, or are required to make a part payment to the producer on placing their order. This can place financial pressure on the buyer, particularly when the time between order and delivery is several months. This is further compounded if the products need to be processed or packed before being sold to the end customer.

The types of products our lending supports has continued to diversify and this has helped us reach more producers requiring finance but a large proportion remains in coffee. This is due to its high value, in monetary terms, compared to other products and the scale of production with more than half of all Fairtrade producers growing this commodity.

Handcrafts still have an important place in our portfolio, as we believe that the social impact is greater for these groups and we know that the majority of other social lenders do not offer finance to this sector.

IN 2018
WE MADE
PAYMENTS
OF ALMOST
£63
MILLION



< Ucasa are Fairtrade honey producers based in Nicaragua.



With an in-country presence in Costa Rica, Ghana, Kenya, and Peru, we have developed our understanding of the communities we work with and this year, we made payments totalling £62.9m to 363 organisations in 63 countries.

Latin America

Of the total 175 producer groups we work with, 47% are based in Latin America and this represents 66,983 individuals (50% are women) out of the total of 470,421 people impacted by Shared Interest.

Payments made to producers in this region totalled £31.5 million, representing 50% of total payments. This was significantly greater than other regions due to the larger number of facilities provided to coffee producers. In fact, 81% of total payments in Latin America are attributed to cocoa and coffee.

In addition to cocoa, we provided trade finance to other products such as Brazil nuts, bananas and sphagnum moss.

For Central America, coffee continues to be the most predominant commodity representing 85% of the lending portfolio, largely due to the number of coffee organisations in the region requiring finance. The balance of the portfolio is comprised of honey, sesame seeds, and avocado.

Africa Region

According to the World Bank, the agriculture sector in Sub-Saharan Africa is facing a financing gap estimated at USD 11 billion to achieve the desired expansion of agricultural output in the region. Shared Interest lends to smallholder producer groups in this region, providing them with the opportunity to grow and improve their income.

Of the 175 producer groups in our lending portfolio, 90 of these are based in Africa. We supported 403,095 producer individuals

in Africa, much higher than South America due to number of small-scale farmers in this region.

We made £9.6 million worth of payments to these producers, representing 23% of the total payments sent. Côte d'Ivoire is of particular importance in our lending portfolio due to the large proportion of the world's Fairtrade cocoa being produced here.

Northern Hemisphere and Pacific Rim

This region consists mainly of buyer organisations based in North America and Europe, of which there are 32, and three producers in Asia. Of the funds lent to buyers, 86% are used to pre-finance orders. Shared Interest is one of the few social lenders to provide credit facilities to buyer organisations in the Northern Hemisphere. These buyer organisations are critical as they provide producer groups with wider market access.

Fair trade buyers are required to provide producers with a 50% payment on placing the order as per the WFTO Fair Trade Principles. This can place financial pressure on the buyer's cash flow and Shared Interest plays a vital role in filling this gap by sending money to producers on behalf of the buyer; we call this a 'recipient producer payment'. This year we made 1,589 recipient producer payments to 253 organisations in 55 countries.

The majority of recipient payments are sent to Asia, primarily to Nepal, Bangladesh, India and Pakistan, where there is a large concentration of fair trade producer organisations. We are unable to lend directly to producer organisations in these countries due to their financial regulations but by providing a facility to buyer organisations, we can indirectly assist these producers to access working capital.



We acquired

474

new Share Accounts



IN 2018
WE SUPPORTED
MORE PEOPLE
THAN EVER BEFORE



Our ambassadors
& supporters raised

£346,000

of Investment

The smallest payment
of £62 went to

GHANA

for cocoa



OUR SHARE CAPITAL
REACHED

£41.4m



37.9%

of our lending
goes to
COFFEE PRODUCERS

We are a dedicated team of 34 staff, 56% female and 44% male.
From our head office in Newcastle, we reach 63 countries with our finance.
We couldn't do this without our members and network of volunteers throughout the UK.
With a presence in Costa Rica, Ghana, Kenya and Peru, our lending customers have
account managers who understand their culture as well as their business.
We collaborate with partners and listen to our stakeholders.

IT ALL ADDS UP

< Allpa are a handcraft producer group based in Peru.

THE FINANCIAL OVERVIEW

The 2017-18 financial year produced healthy growth in total income, partly due to higher US Dollar interest rates, which we had to pass on to our customers but also due to average lending being higher than the previous year. This meant that, despite a further and expected fall in deposit income (of over £90k), we grew our total income by £280k. The amount owed by customers at the year-end was again a record at £36.3m. All these figures were influenced by the continuing weak Pound Sterling, which, although it briefly strengthened in the first few months of 2018, spent most of the year at around the 1.31 to 1.33 level in relation to the US Dollar, our key foreign currency.

We continued our main banking relationship with Santander UK plc providing us with the ability to borrow foreign currency, particularly US Dollars and Euros, which we need to support producers and buyers. We also retained an active relationship with The Co-operative Bank, which is used by members to pay in their investments.

Operating costs for the Society were at a very similar level to the previous year and whilst bad debt costs increased by £129k, they remained at expected levels and were linked to the increased scale of lending and income. The result is a surplus of £218k, which leaves the Society at just below the lower end of its targeted range of reserves (more details are available in the published annual statutory financial statements).

The overall financial position of the Society remains very strong with another good year of growth in member capital. In addition to specific provisions against doubtful accounts, which are cumulatively £5.5m, we have reserves from this and previous years' surpluses, totalling over £1.6m.

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.



PATRICIA
ALEXANDER

DAVID
BOWMAN

PAUL
CHANDLER

MARY
COYLE

MARTIN
KYNDT

TIM
MORGAN

PAULINE
RADCLIFFE

KEITH
SADLER

	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
STATEMENT OF 2018 COMPREHENSIVE INCOME					
Credit charges	1,799	2,164	2,653	2,928	3,264
Bank deposit interest	839	683	450	147	55
Other	103	77	55	89	125
Total	2,741	2,924	3,158	3,164	3,444
Finance Costs	(79)	(252)	(513)	(427)	(448)
Provision for doubtful debts	(516)	(457)	(1,212)	(664)	(793)
Operating costs	(1,773)	(2,013)	(1,985)	(2,025)	(1,985)
Corporation Tax	50	5	(5)	-	-
Profit before members' interest and donation	323	197	(547)	48	218
Members' interest	(108)	(110)	(122)	(72)	-
Donation	(50)	-	-	-	-
£/\$ Exchange rate at the year-end	1.62	1.51	1.29	1.34	1.30
BALANCE SHEET 2018					
Tangible fixed assets	57	35	150	153	161
Investments	94	95	118	115	121
Lent to customers	21,063	24,933	30,763	29,918	36,330
Cash and deposits	35,891	38,827	41,668	40,821	42,234
Debtors	362	381	340	90	128
Loans owed to the bank/overdrafts	(22,135)	(27,125)	(34,299)	(29,501)	(35,241)
Other creditors < 1 year	(542)	(649)	(739)	(521)	(506)
Other creditors > 1 year	1,340	(975)	-	(214)	(214)
Total	33,450	35,522	38,001	40,861	43,013
Capital	31,255	33,289	36,432	39,367	41,371
Reserve for lending loss	766	766	-	-	-
Proposed share interest	115	116	121	70	-
Proposed donation to Shared Interest Foundation	50	-	-	-	-
Profit and Loss	1,264	1,351	1,448	1,424	1,642
Total	33,450	35,522	38,001	40,861	43,013

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

The majority of our lending and overseas payments are made in USD thus the exchange rate with sterling has a significant impact on the figures.



LOOKING AHEAD

As our focus remains on reaching more producers in remote communities worldwide, we are excited to embed our Strategic Review Implementation Plan, which will increase our reach, and impact.

Building on our current portfolio of working with 363 organisations in 63 countries, we are keen to develop our services into Madagascar, Mozambique and Asia. We will also look to work with alternative certifications that follow the World Fair Trade Organisation's Ten Principles of Fair Trade, in order to reach more producers.

Climate change was identified as a growing concern for many of our producers and we will explore potential partnerships to respond to these challenges. When we asked our members' opinion on this as part of our biennial survey, 90% of respondents strongly agreed or agreed that we should seek to use our lending to support customers who are wishing to improve management of environmental issues.

Our members remain at the core of our organisation and we are committed to providing as many opportunities as possible for their contribution, in terms of inviting questions and increasing knowledge. Growing member numbers and investment will be critical in enabling us to support

producers who – in many instances – have no other source of finance, with many living below the poverty line.

As such, we will be asking members to consider a change in our Rules to bring them in line with current legislation and create opportunities to attract new members. After 28 years of only accepting Share Capital in GBP Sterling, we will explore the option of accepting investment in other currencies. As 93% of our payments to producers and buyers are currently in currencies other than GBP, changes in exchange rates can have a significant impact. By attracting investment in USD and EUR, we would reduce our cost of borrowing, have greater flexibility on lending, and diminish the need to pass on any US Federal Reserve increases to customers.

Coupled with this, we will also look to engage with a younger audience, by lowering the age threshold for Share Account holders. The current position is that only people over the age of 16 years are able to invest.

Next year holds many new and exciting changes for Shared Interest. We look forward to reporting on our progress on all of this in our Annual Review 2019.

Shared Interest Society

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Copies of the Directors' Report and Accounts and Social Accounts are available to download from our website.

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INVESTING IN A FAIRER WORLD