Shared Interest is the world’s leading fair trade finance organisation. Thanks to our members, customers and partners we have continued to give businesses in some of the poorest communities in the world the backing to join the fair trade market place, and trade their way out of poverty.

A full list of our customers is available on our website www.shared-interest.com

Case Study 1:

Ctm altromercato – Italy

Ctm altromercato is currently the largest Fair Trade organisation in Italy and one of the largest world-wide. Ctm altromercato provides support for the 230 World Shops throughout Italy and works with particular producers to grow its handicraft sales. Ctm altromercato also remains one of largest importers of fair trade bananas in Europe; in fact much of the sales growth in the past two years has been due to this product alone. The close relationship with the World Shops is helping the business to grow handicraft sales whilst the links with supermarkets and EFTA members allow food sales to expand. Ctm altromercato is one of Shared Interest’s largest customers. During a recent visit, we were able to see the new premises that Ctm altromercato have secured in Verona – their own warehouse of 11,000 sq metres where 10 staff handle logistics, whilst the remaining 70 staff work from an office complex nearby. The lending facility with Shared Interest continues to help the business expand its fair trade purchases.

Case Study 2:

Fundacion Solidaridad – Chile

This organisation was founded in 1976 by the Catholic Church and originally supported the production and sale of handicrafts made by political prisoners. Now it seeks to offer the same support to the poorest communities enabling the ingenuity and creativity of the local people to find a market for their products overseas and locally. For the past 4 years a Shared Interest facility has allowed Fundacion Solidaridad trade finance based on the value of orders. During the last year we have agreed an additional amount of USD 17,000 as a term loan to help facilitate the opening of their third store in Santiago. Opening a further store will enable them to provide local job opportunities and work with new producer groups. Winnie Lira, Director of Fundacion Solidaridad on receiving the loan said "It is very impressive for us to find out the efficiency and good disposition of your work. Muchas, muchas gracias."

Case Study 3:

Craft Aid – Mauritius

Established in 1982, Craft Aid Mauritius (CAM) works with able-bodied and ability-impaired producers in Mauritius. Their aim is to build workshops and purchase equipment for small enterprise producers, and today CAM runs fully equipped workshops with over 125 employees. Sugar packaging remains a significant part of CAM’s business, but with core business strengths and opportunities also lying in textiles. CAM became a customer of Shared Interest in 2001, and has recently accessed longer term loans. These have enabled them to repay existing bank loans and bulk purchase raw materials needed to help facilitate production. Gabriel Kamudu, Managing Director of CAM, stated during a visit in July 2005 that working with Shared Interest has helped his business to grow, and that he would always consider Shared Interest as his first lender of choice.
Case Study 4:

Citizen Dream - Belgium

Based in Brussels this buyer organisation started in 1998 operating out of the home of the founders. Now it retails high quality jewellery and handicraft items through a small network of its own shops and also sells to a number of boutique type outlets. We visited them in the summer of 2005, and following the successful injection of new capital from new and existing shareholders at Citizen Dream, we have been able to significantly increase our lending to the organisation. This will enable them to finance more purchases from the producers that they work with in India, Africa and the Far East and will support the growth of the business.

Case Study 5:

Much in Little – Philippines

This group has been borrowing money from Shared Interest since late 2003, accessing credit against orders from their fair trade buyers. They grew from a programme started by American missionaries in 1982 and are now run by a locally based Baptist church offering support to small, family based handicapped people and tribal groups. In 2005 a term loan of USD 3,500 was used to cover consultancy fees for a 3 day training seminar for producer groups which included the design and testing of new products. Participants attended from all ten associated producer groups and also included training on technical and managerial skills. Much in Little hoped that the event would result in increased productivity and quality from their producer groups. “With a grateful heart we appreciate all of the help you are extending to us. Again thank you.”
Welcome

In the past year we have seen a further increase in lending, advancing £21.3 million to finance trade with producers in developing countries. This means that all members’ share capital was sent to the developing world (and repaid) at least once – a significant achievement.

We have continued to invest in our people and systems to enable us to extend our reach to even more fair trade businesses worldwide. We have exciting plans to internationalise our business and we have put in place most of the platform required to achieve this. Listening to and promoting southern voices and views is a key part of our mission and we are better placed to do this effectively if we are close to our customers in their own marketplace.

Our staff team continues to work hard in a period of change and development to make our vision of a truly international fair trade finance business a reality. This team has been led for the last seven years by Stephanie Sturrock our Managing Director, who left us in November 2005 to pursue a leadership role in her local community. On your behalf I want to thank her for her excellent leadership and for the contribution she made to Shared Interest’s development. She leaves an organisation poised for new growth and an exciting opportunity for her successor. Thanks also to my fellow directors, the staff team, and members of Council for their continued commitment and enthusiasm for our mission to finance fair trade.

Philip Angier, Board Moderator

Our vision... is to achieve real and lasting improvements to the lives of disadvantaged producers, particularly in poorer parts of the world, by providing fair and just financial services and sharing risk.

Our mission... is to finance fair trade. We do this by:

Lending to and working with producer and buyer organisations who are committed to using fair trade principles

Promoting a North-South partnership:

• Enabling investors in the UK to share risk and take positive action to direct funds to borrowers working in poorer parts of the world

• Listening to and promoting southern voices and views

Strengthening the fair trade movement so that it continues to present a more just model of trade.
Working with fair trade businesses worldwide

In 2005 we provided credit to 43 fair trade producer organisations in 25 countries, 3 of them new customers this year. In addition to our core business of providing short term trade credit against specific orders from both fair trade and commercial buyers, we also continued to make some longer term loans available.

We continue to work closely with handicraft producers and artisans and we have increased our work with food producers, including tea, honey, coffee, nuts and dried fruits.

We also provided credit to 38 fair trade buyer organisations in 16 countries, 2 of them new customers this year. Providing credit to buyers enables us to fund advances to producer organisations at the cost and risk of the buyer. In this way we help buyers to meet their commitment to fair trade by providing up-front payments to producers once an order is made and paying promptly when goods are delivered to them.

In addition to the producers we work with directly, we also make payments on behalf of our buyer customers to 384 producers all over the world. This enables us to extend our reach far beyond the 43 producers we were able to lend to directly.
Our lending operations 2005 (year ended 30 September)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of fair trade orders processed</td>
<td>2,799</td>
<td>3,009</td>
<td>3,342</td>
</tr>
<tr>
<td>Number of payments made</td>
<td>3,230</td>
<td>3,297</td>
<td>3,652</td>
</tr>
<tr>
<td>Value of payments made</td>
<td>£17.3m</td>
<td>£19.4m</td>
<td>£21.3m</td>
</tr>
<tr>
<td>Number of fair trade organisations receiving payments</td>
<td>358</td>
<td>365</td>
<td>384</td>
</tr>
</tbody>
</table>

Distribution of payments by region

- Europe and North America: 10%
- Africa: 19%
- Central & South America: 29%
- Asia: 42%

Distribution of payments by product type

- Food: 20%
- Tea: 10%
- Coffee: 13%
- Handicrafts: 52%
- Clothing: 5%

Financial results

Our underlying trading results for the year were better than planned. However, lending losses were greater than expected at around £50,000 and we made unexpected foreign currency exchange losses of £76,000, giving us an overall profit for the year of around £34,000. Our income from lending activities was 27% greater than 2004, a very encouraging result and an early indication that our investments in people and systems are paying off. Our growth plans mean that we shall need substantially more share capital and members going forward. We plan to continue to invest in our internationalisation programme and are aiming for further profitability in 2006.
Investing together to finance fair trade

We continued our membership promotion activities, but also paused a little to conduct some market research and to refresh our approach. This year we gained 318 new members who invested over £500,000 of new money. After taking into account further investments from existing members and withdrawals, the total members grew to 8,354 and share capital to £19.2m, a 4.3% increase on last year.

A survey carried out among members at the end of 2004 indicated that 94% were satisfied with how their money is used. This gives us a lot of confidence as we continue our promotional activities going forward.

Moving closer to our customers

Last year we recognised the need to get closer to our customers in their own market. We know that more organisations could benefit from access to fair finance but in order to do this we must better understand their needs and develop an ongoing relationship based on trust. We also need to ensure we engage with local staff, partners and agencies who understand local languages, customers and markets.

We have completed the first stage of market research in two regions of the world and have decided to progress a regional presence in Kenya to cover East Africa and in Costa Rica to cover Central and South America. As these projects start to be implemented in 2006, we hope to see a real change of gear, with increased lending to more organisations.

This internationalisation also gives us the opportunity to begin researching and delivering financial training and business management support to producer organisations through Shared Interest Foundation, our sister charity.

In order to move ahead with internationalising our business, we have completed almost 18 months of investment in people and systems at our head office to ensure we have robust support for staff and associates based in different parts of the world. Setting up our international operations will require further investment, but will in the end give us a much more sustainable future.

Microcredit

We raised £1 million from our issue of a five year zero coupon loan stock called ‘Microcredit Bond 2010’ in April 2005. This money was lent through our partner Oikocredit to microcredit institutions in poorer parts of the world.

Social accounts

For the first time this year we have produced a full social report for the year to 30 September 2005, which will be available to download from our website in due course.

Annual Accounts

A copy of our full Directors Report and Audited Accounts for the year to 30 September 2005 is available to download from our website.
Trade justice

As part of the wider fair trade movement Shared Interest has been supporting a number of activities around trade justice. We have been running a Vote for Trade Justice postcard campaign jointly with Traidcraft as part of a wider campaign that has now registered over 350,000 votes. As part of the Make Poverty History coalition, staff and members have participated in many events and in the G8 rally in Edinburgh in July 2005.

Networks & Related Organisations

Shared Interest is a co-operative lending society that aims to reduce poverty in the less developed parts of the world, by providing fair and just financial services. It was started in 1990 and has around 8,300 members who have invested more than £20 million. We use the pooled savings of our members to facilitate fair trade. We work with fair trade businesses all over the world, both producers and buyers, providing credit to enable producers to be paid in advance and to help fair trade develop.

International Association of Investors in the Social Economy (INAISE)
Belgium
t: +32 2 234 5797
inaise@inaise.org
www.inaise.org
A global network of socially and environmentally oriented financial institutions.

Cooperatives UK
Manchester
t: +44 161 246 2900
enquiries@cooperatives-uk.coop
www.cooperatives-uk.coop
The apex organisation for co-operatives in the UK.

Fairtrade Foundation
London
t: +44 20 7405 5942
mail@fairtrade.org.uk
www.fairtrade.org.uk
Responsible for marketing and promoting the Fairtrade label and Fairtrade labelled products in the UK.

Trade Justice Movement (TJM)
London
t: +44 20 7404 0530
glen@tjm.org.uk
www.tjm.org.uk
The TJM campaigns for fundamental change to the unjust rules governing world trade, so all trade benefits the poor and the environment.

Fairtrade Labelling Organisation International (FLO)
Germany
t: +49 228 94 9230
info@fairtrade.net
www.fairtrade.net
Co-ordinating body for the 17 national fairtrade labelling initiatives (like Fairtrade Foundation in the UK). Collects data and ensures audit of all Fairtrade labelled products from the producer to the supermarket shelf.

UK Social Investment Forum (UKSIF)
London
t: +44 20 7405 0040
info@uksif.org
www.uksif.org
The UK membership network for socially responsible investment. Socially responsible investment includes ethical investment, green investment, shareholder activism, social banking and community finance.

Network of European World Shops (NEWS!)
Germany
t: +49 6131 9066 410
office@worldshops.org
www.worldshops.org
Co-ordinates the co-operation between world shops all over Western Europe. The network consists of 15 national world shop associations 13 different countries, representing about 2,500 world shops.

Oikocredit
The Netherlands
t: +31 33 422 40 40
info@oikocredit.org
www.oikocredit.org
International ecumenical development co-operative society, providing credit for a wide variety of projects and institutions in poorer countries.

European Fair Trade Association (EFTA)
The Netherlands
t: +31 43 325 6917
efta@antenna.nl
www.eftafairtrade.org
EFTA is a network of 11 Fair Trade organisations in nine European countries which import fair trade products from over 400 disadvantaged producer groups in Africa, Asia and Latin America.

British Association for Fair Trade Shops (BAFTS)
London
t: +44 20 7739 4197
info@bafts.org.uk
www.bafts.org.uk
Network of over 50 independent Fair trade shops across the UK.

International Fair Trade Association (IFAT)
The Netherlands
t: +31 345 53 59 14
info@ifat.org
www.ifat.org
A global network of over 250 fair trade organisations in more than 60 countries, the majority of whom are producers.

British Overseas NGOs for Development (BOND)
London
t: +44 20 7837 8344
bond@bond.org.uk
www.bond.org.uk
Network of over 280 UK based volunteer organisations working in international development and development education.

Shared Interest is a member of the International Fair Trade Association

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