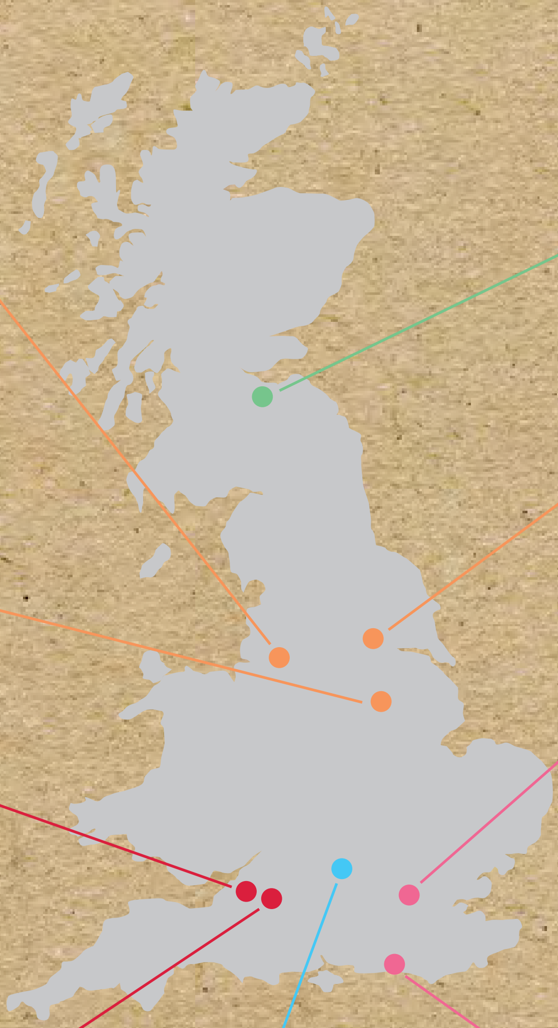
ethical PROPERTY
INVESTING IN SOCIAL CHANGE

Building on firm foundations

Ethical Property Company Annual Report 2012/13

Our centres



Manchester

- Green Fish Resource Centre

Edinburgh

- Thorn House

Leeds

- Roundhay Road Resource Centre

Sheffield

- Scotia Works

Bristol

- Brunswick Court
- Colston Street Centre
- Picton Street Centre

Managed centres:
- The Unitarian Chapel
- St. Michael's Parish Hall
- SNAP Studios

London

- Archway Resource Centre
- Development House, Old Street
- Durham Road Resource Centre
- Grayston Centre, Old Street

Managed centre:
- Resource for London, Holloway

In development:
- The Foundry, Vauxhall

Bath

- Green Park Station

Managed centre:
- Friends Meeting House

Oxford

- The Old Music Hall

Brighton

- Brighton Eco-centre
- Brighton Junction

Managed centre:
- Brighton Community Base
- Brighton Open Market

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Ethical Property Company
Annual Report 2012/13

Building on firm foundations

Building on firm foundations

Chair's statement

Tenants in the communal garden at Development House, London

It gives me great pleasure to introduce Ethical Property's Annual Report for 2012/13 which summarises the performance of one of the UK's leading social businesses over the last year.

We have grown significantly over the past 15 years, from owning two centres in 1998 to now owning 15 and managing a further eight centres within the UK. In that time, we have also established the Ethical Property Family, a group of international property and property service organisations which now include The Ethical Property Foundation, Ethical IT, Ethical Property Europe, ETIC, Ethical Property Netherlands and most recently Ethical Property Australia. This growth has enabled Ethical Property to spread its learning and support a larger number of organisations and communities.

The past year has included a number of highlights; demand for our space and services has continued to grow, the value of our buildings has increased and we have made significant progress on a range of new development projects. In response to rising demand, we have been working on two new buildings in the UK, The Foundry in London and Brighton Open Market in Brighton whilst indirectly supporting further projects in Brussels, Melbourne and Paris. I'm delighted to say that between Ethical Property and Ethical IT we have supported over 1,000 organisations over the last year.

In order to manage this growth we have continued to strengthen the governance of the organisation and I was delighted to welcome the appointment of Mark Luntley and Lisa Tennant at the last AGM. They have brought a wealth of experience and fresh insight to the Board.

Over the past year, we have made significant investments in the company to ensure it is fit to face the future and can sustain and improve upon its Triple Bottom Line returns - People-Planet-Profit. This has included reviewing our staff needs, restructuring the Senior Management Team, investing in key buildings and completing detailed mapping of future demand. This work has enabled us to create firm foundations for future growth.

It is clear to me that in today's climate, affordable, flexible and ethically managed space, and sound ethical investment opportunities are needed more than ever before. These activities are essential in order to support the creation of a fairer world, and to safeguard our planet for future generations.

Finally, I would like to take this opportunity to thank the staff and my colleagues on the Board for all of their hard work over the past year. I would also like to thank you, our shareholders, for your continued support, which has enabled Ethical Property to become a successful and flourishing social business that delivers social, financial and environmental returns.

Bob Burlton
Chair
The Ethical Property Company

Managing Director's report

Highlights

23% increase in Net Asset Value • Property valuation increased by 18% • Ethical Property and Ethical IT together supported over 1000 organisations • More space enquiries than ever • Occupancy level over 5% above the market average • Raised £12m funding for The Foundry.

The past year has been an exciting journey; we have continued to evolve in response to changes in the property market, we have worked hard to support our tenants and have succeeded in ensuring that Ethical Property continues to grow at a sustainable rate.

Tenants

Over the year, Ethical Property and Ethical IT have worked with over 1,000 organisations, more than ever before. Within this figure, the number of tenants we supported in our owned buildings grew from 239 to 263 (See pages 6 & 7). We also saw a significant increase in demand for our space, with the number of enquires rising by 15%. The hard work and commitment of our staff has seen us continue to outperform the market by maintaining an occupancy rate of 93%, compared to a market average of 88%. Looking forward, we anticipate that demand will continue to grow as groups increasingly require affordable and flexible space.

Our tenants' needs have continued to change as a result of the economic challenges they face and as affordability and flexibility become more important than ever.

This has impacted on us in two distinctive ways; firstly it means that our staff now spend more time responding to these tenants' needs; secondly, it provides us with proof that our model is becoming increasingly attractive as social change organisations rely upon more flexible landlords offering good value for money.

People

We have implemented a number of staff changes in response to shifting business demands. We split the role of Property and Operations Director in order to increase our capacity in these areas; and recruited a new Operations Director, Nick Forster to work alongside our Property Director. We have also reduced the size of our Regional Management team; changed the structure of our Finance team; and increased our Sales capacity to better reflect the current and anticipated needs of the company.

At a time when the Living Wage campaign has been getting a great deal of publicity, we are also proud to have become an accredited Living Wage employer.

Property

We have been working on two major development projects: The Foundry and Brighton Open Market (See page 5). The Foundry, the largest single project Ethical Property has ever been involved with, will house a large number of social justice and human rights organisations. Brighton Open Market will provide a home to a range of social enterprises and small businesses. Both are really exciting schemes, which will significantly improve our ability to meet the rising demand for our space, as well as further diversifying our portfolio and the tenants we support.

As Ethical Property matures into an established business, we will continue with the policy of procuring property situated within city fringes, which are both affordable but also have strong potential for capital growth. We also anticipate the need to more actively manage our property portfolio; as a result we are reviewing our property portfolio and may dispose of any buildings that no longer comply with our Triple Bottom Line aspirations. This will be done with due consideration of the rights of our tenants, many of whom have leases within the Landlord and Tenant Act.

Financial summary

After many years of falling or static property values, we saw an increase in values last year, particularly in London. Our portfolio increased in value by 18% during the year, and we reversed some previous losses, amounting to £275,037.

Operating Profit last year increased to £904,780, in part due to the gain from the sale of the land adjacent to Development House. The underlying performance of our centres remains consistent with last year. In addition to the Operating Profit, we have received dividends from Ethical Property Europe of £17,988 and earned interest from our loan to The Foundry.

The profits for the year combined with the increase in portfolio valuation has resulted in a rise in our Net Asset Value, from 77 pence to 95 pence, an increase of 23%.

Social and environmental performance

We have continued to generate high tenant and staff satisfaction, which was evident from the respective surveys undertaken every year (See pages 11-13). We are particularly proud of the flexibility of our leases and have continued to see increasing demand from tenants as their requirements change to match their organisational needs.

Environmentally, we are disappointed that carbon emissions have not reduced. However, given the long cold winter of 2012/13, this was not unexpected. We are confident that our planned programme of environmental improvements will enable us to make longer term reductions (See page 14).

Growth and re-financing

In the last Annual Report and at the AGM, we discussed our plans to raise more capital. This would be used to enable further growth and to allow some flexibility in how we restructure our loan with Triodos, which expires in 2016.

In order to increase our investment capacity, we successfully applied for a £50,000 grant which enabled us to access specialist legal and financial advice on how best to raise more capital. As part of this process we want to build on the lessons learnt from our involvement in The Foundry project and to consider how we can use this model to aid and encourage future growth.

We are undertaking detailed market research in key regions around the country to establish the potential level of demand for future Ethical Property centres. As part of this work, we are also considering the capacity and growth potential of our existing regional teams to ensure that growth improves efficiency and adds to our long-term sustainability.

Alongside this work, we will also be exploring what sort of space our tenant organisations will want in the future. Are cellular offices still required, or will demand be for more flexible, open plan space which can allow more hot-desking? Will there be a continuation of the growing trend to work peripatetically, or will people return to working collectively in large office spaces? We will consider all these issues as we grow and develop more centres.

International Family

In 2013 we established a presence outside Europe for the first time, with the creation of Ethical Property Australia (See page 9). We are continuing to look at how new members of the Family can be supported effectively and have re-drafted *The Quintessentials* to ensure that they are more applicable to emerging international organisations. *The Quintessentials* are a public statement of management principles to which we (and every member of the Ethical Property Family) are bound via our Articles of Association.

In addition to *The Quintessentials*, we are considering how we can best support emerging members of the Family in a way that is sustainable for us, but realistically recognises the significant needs of a new company.

In summary, it has been a challenging but highly rewarding year and looking forward, we are very excited about the many opportunities that are open to us.

Susan Ralphs
Managing Director

Green Park Station Market, Bath

Scotia Works, Sheffield

Operations and properties

Highlights

High occupancy levels • A record number of tenant moves • Tenant satisfaction remains high at 87% • Plan for property improvements now in place • Continued success in the delivery of property management contracts.

2012/13 has been a good year as we have continued to develop our buildings and improve the ways in which we support our tenants.

Occupancy levels remained high, averaging 93% over the year - it is also important to note that occupancy consistently rose through the year. This was a good achievement as we saw a significant rise in internal/external moves: 179 in the past year, compared with 141 in 2011/12 and 129 in 2010/11. This is a positive sign, proving that our flexible, tenant orientated approach, which includes our lease terms, are still very attractive.

Other key successes include maintaining high levels of tenant satisfaction, ensuring we are competitively priced and delivering the best value service to our tenants and other building users. We aim to deliver excellent customer service and in those regions which have sufficiently large or numerous properties, the Centre Manager roles created last year have proved invaluable. The 2012/13 tenant survey showed that 87% of the tenants who responded, felt that being in an Ethical Property centre helped them to achieve their strategic objectives. We also saw improvements in levels of satisfaction in a number of key areas including finance and support for new tenants.

Moving forward, there are still ways in which we can further improve tenant satisfaction, particularly in terms of the fabric of our buildings; the quality of communal spaces, meeting rooms, kitchens and reception areas. We recognise that some buildings do not adhere to the standards to which we aspire; and we have therefore set aside funds for the improvement of facilities in priority buildings. To ensure consistent quality and environmental performance of the products used, we have also implemented a 'specification guide' for Property Managers covering key aspects of our maintenance and refurbishment work. We hope this will lead to improved environmental performance across our property portfolio. The age and nature of some of the buildings we own makes progress on energy use and carbon emissions challenging, but we will seek to make improvements through both physical improvements and behavioural change (See page 14).

The last year has seen continued improvement in how we market our space. We are increasingly utilising digital marketing and social media to ensure we generate enquiries and respond to potential customers' needs appropriately and efficiently. As a result of these changes, space enquires over the past year have risen by 15%.

Similarly, we have improved the way in which we analyse the financial performance of individual buildings, putting in place a system to better reflect the total costs associated with running each property. Going forward, this will help us to evaluate the long-term prospects for our properties to provide a Triple Bottom Line return.

We have also rationalised our staff teams, ensuring that our resources are utilised more efficiently and allowing us to better support tenants, stakeholders and future developments.

Alongside our owned properties, we have continued to manage a portfolio of properties on behalf of other landlords, providing management services for eight centres located in Bath, Brighton, Bristol and London. These buildings are owned by a range of like-minded landlords including individuals, faith-based groups and charitable organisations. Our managed portfolio comprises some 8,000m^2/86,000ft^2 and includes office, meeting, conference and community space, as well as a café. In 2012/13 62 organisations benefited from being tenants within these buildings, while a further 650 organisations made use of the meeting and conference facilities.

Looking forward, we aim to build on the significant progress of the last few years, ensuring we continue to evolve and improve our space and the support we offer our tenants and the wider social change sector.

Brighton Junction, Brighton

Brunswick Court, Bristol

Development projects

Highlights

Progress on the development of The Foundry and Brighton Open Market • Increase in the number of property management contracts • Significant growth in the international Family.

Over the past year we have also been very busy working on a range of new developments both within the United Kingdom and internationally.

Our largest project has been The Foundry, a centre which aims to support the social justice and human rights movement by providing an environment in which social justice and human rights organisations can flourish.

This has been a highly complex project and is our most ambitious development to-date. We purchased a site in London between Vauxhall and Oval Tube stations in early 2012 and eventually received full planning permission in early 2013. Construction works are well under way and it is planned to open in the summer of 2014.

The scheme involves the refurbishment of an existing industrial building and the construction of a new build extension. The final development will provide a total of over 3,250m²/35,000ft² of office space, conference facilities, events and exhibition space, and café facilities, to create a destination venue that will attract members of the local community, the wider public and non-tenant organisations. It will also act as a nerve centre for other activities, both actual and virtual, which will enable the centre to reach far beyond its physical boundaries.

The centre has been designed to achieve very high standards in sustainability through a combination of carefully selected materials and strategic space planning; and the use of low energy systems where appropriate.

Project costs are £12m, and while Ethical Property is the largest investor, we have also raised funds from Trust for London, The Barrow Cadbury Trust, Joseph Rowntree Charitable Trust and LankellyChase Foundation.

Demand for space in the centre has been strong, with interest from over 50 organisations. In total we plan to house in the region of 30 organisations and 330 people. For more information on The Foundry, please visit **www.aplaceforchange.co.uk**.

Our second major investment this year has been Brighton Open Market. Located in central Brighton, we have purchased 12 workshops that form part of a large scale development situated on London Road, which will result in the employment of a minimum of six new employees. This scheme forms part of a wider drive to regenerate the local area and promote local trade, employment and job creation. In addition to workshops, the market will house 45 permanent units, up to 50 temporary stalls, an event space and affordable housing.

As well as purchasing the workshops, we have also agreed a management contract to run the market's commercial units on behalf of a community interest company. This is an exciting opportunity that will further increase our activity in the city, while making a real contribution to the regeneration of the area.

For more information on Brighton Open Market, please visit **www.brightonopenmarket.co.uk**.

In addition to these two major projects, we have also been working with a number of ethical landlords in Bristol, Cardiff, London and Oxford in order to grow our property management contract portfolio.

A key priority has been to increase our market intelligence to inform further investments and ensure we can respond to the changing needs within our target audience. This has involved conducting detailed research within key cities to understand where new centres could best support organisations working to create a more sustainable and equitable world. We are also aware of the continuing need to increase our profile within cities in which we already have a presence, ensuring high occupancy levels while embedding the Ethical Property name in the minds of organisations who we may be able to support in the future.

Further afield we have been supporting a growing international Family with new centres planned in Belgium and France. We have also helped to establish a new Family member, in Ethical Property Australia, which has now secured its first management contract in Melbourne.

In total we anticipate that there will be between six and eight new centres opening across the Family over the next 12 months so it promises to be another very exciting year.

The Foundry development, London

Artist's impression of Brighton Open Market, Brighton

Our tenants

Our 15 owned centres across the UK provide office space to 263 tenants, 62% of which are charities or not-for-profits, with the remainder providing consultancy and other services to social and environmental organisations. For more information on our tenants visit www.ethicalproperty.co.uk/ourtenants.

London and the South East

Archway Resource Centre, London
Centre for Armed Violence Reduction • Community Network • Conscience Taxes for Peace not War • Everyman Project • Iranian Mother Tongues' School • Karawan Authentic • Lively Minds • North London Trading System • Peace Brigades International UK • Small Steps Project Limited • Sudan Social Development Organisation UK • The Association of Visitors to Immigration Detainees

Brighton Eco-centre, Brighton
Aptivate • Arka Original Funerals Limited • Brighton & Hove Green Party • Brighton Peace and Environment Centre • Food Ethics Council • Friends of the Earth Limited • Harmony Culture Limited • Low Carbon Trust • Pilot Fundraising Consultants Limited • Re-Cycle • Sustainable Business Clinic Ltd • The Kaloko Trust UK

Brighton Junction, Brighton
AbilityNet • Blend Creative Consultancy Ltd • Brighton and Hove Community and Voluntary Sector Forum • Brighton and Hove Impetus • Cabrini Children's Society • Catherine Aicken • Equal4All & 121 Women and Computers CIC • Friends Centre • Internship in Brighton Ltd • Kindle Research Limited • Naked Translations Limited • NVisage Ltd • OPTO • Origin8 Creative Ltd • Oxford Consultants for Social Inclusion Limited • P & A Sharville Limited • Purple Pop • Refugee Radio Limited • Sports 13 • Steven Shove • Syncronika • The Actors of Dionysus • The Big Issue • The Joy of Business • Vicky Wilson

Development House, London
Agency for Co-operation and Research in Development • Afghanaid • Amos Trust • Asian Foundation for Philanthropy • Against Violence and Abuse • Better Cotton Initiative UK • Childhope UK • Children of The Andes • Consortium for Street Children • Ethical IT LLP • Global Partners Governance Practice Limited • Green Net Limited • International Childcare Trust • Keep Britain Tidy • Malaria Consortium • Oxford Research Group • Pan African Development Education and Advocacy Programme • Peace Brigades International • Peace Direct • Pesticide Action Network UK • Pragya Limited • Relief International-UK • Respect • Stakeholder Democracy Network • The Ethical Property Foundation • The Green Party of England and Wales • The Resource Alliance Limited • The Verification Research Training and Information Centre • Wikimedia UK • Womankind Worldwide

Durham Road Resource Centre, London
Adoption UK • Alzheimer's Society • Blenheim CDP • Jeremy Corbyn • Medical Justice Network Ltd • Nicaragua Solidarity Campaign • Stop the War Coalition • TAPOL

The Grayston Centre, London
Alternatives to Violence Project • China Dialogue Trust • Free Tibet Campaign • Jubilee Debt Campaign • London Community Resource Network • Medact • Media Legal Defence Initiative • On Road Media Limited • Rainbow Trust Children's Charity • Saferworld • Sri Lanka Campaign for Peace and Justice Ltd • Stopaids • Talk Action • The Burma Campaign UK

The South West

Brunswick Court, Bristol
African Initiatives Ltd • Bristol Drugs Project Limited • Bristol Women's Voice • Clinks • DBC Project Holdings • Developing Health and Independence • Fern Housing Limited • Industrial Common-Ownership Finance Limited • Institute of Chartered Foresters • National Playbus Association • Oxfam • Promote Mifumi Project • Redweather Productions Ltd • Renewable Energy Cooperative • St Mungo Community Housing Association • The Factary Limited • Third Sector Systems Ltd • Tree Aid • Womankind Bristol Women's Therapy Centre • Women's Aid Federation of England

Colston Street Centre, Bristol
Bikeworkshop Ltd • Blaze Studio Ltd • Blue Sax Publishing Limited • Bristol Resource Centre • Chesapeake Studio Limited • Colston Forge • Dr Niklas Serning • Intrigue • Jonathan McNaught • Monica Barlow • Mothers for Mothers • Sally Dove/Makers • Snowline Productions Limited • Streets Alive Limited • Sue Ryall • Taylor Energy BE Limited • The Pituitary Foundation • Thread Design and Development Ltd

Green Park Station Market, Bath
PJ's Farm • Rebecca Sage • Simon Francis and Jamie Sythes • The Bath Farmers' Market Limited

Green Park Station Shops, Bath
Bath Function Rooms • City Car Club • Eco-logic Books • Framecraft Bath Ltd • Future Publishing Limited • Green Park Bike Station Limited • Green Park Leather and Luggage • Hacketts Hair • Inn Flexible Limited • Music Workshop • Simply Insurance Bath • The Manning Partnership Ltd

Green Park Station, South Vaults, Bath
Black Families Education Support Group • Cyclists Touring Club • Fungi Fruits Ltd • Go Travel Solutions Limited • Greentraveller Limited • Melrose Computing Solutions Limited • PropertECO Ltd • Second Step Housing Association Limited • St Mungo Community Housing Association • Sunflower Films • Valentine Morby Associates

Picton Street Centre, Bristol
Creative Facilitation Limited • Dick Maule • Eco-Villages Network • Friends of the Earth Limited • Labour Behind The Label • Mental Health Matters • Ruston Planning • Yogasara CIC

Oxford and the Midlands

The Old Music Hall, Oxford
Archetype Design Limited • Architecture Sans Frontières • Big Difference Consulting Ltd • Chauncy Maples Malawi Trust • Church of England Children's Society • Climate Outreach Information Network • Colm Massey • Community Glue CIC • Domains.coop Limited • Ethex Investment Club Ltd • Free West Papua • Infusion Food & Drink • InsightShare Ltd • Inspire Executive Solutions Limited • Institute for Food, Brain and Behaviour • Kuumba Nia Arts • Lifeline Project • Medicine Africa Ltd • Messagewright • Mokoro Limited • NSolve Limited • Oxford Counselling Centre Limited • Oxford Human Resource Consultants Limited • LASARS project • Reading Quest • Reducing the Risk of Domestic Abuse • Refugee Resource • Sahel Consulting • Sarah Flemig • Seeds for Change - Oxford Collective Ltd • SOS Sahel International UK • SPX Oxford Ltd • Sumatran Orangutan Society • Sustrans Limited • The Energy Saving Co-operative Limited • Tracks Investigations Limited

South Pennines

Green Fish Resource Centre, Manchester
Accessible Event Promotions • Bliss - The National Charity for the Newborn • Carers UK • Community Arts North West Ltd. • Depaul UK • Eritrean Community • Furniture Re-Use Network • Jesuit Volunteer Community • Locality Limited • Manchester Friends of the Earth Limited • Oxfam • Pam Wright • Paul Cowham • Radio Regen • Slade & Cooper Limited • The Audience Agency • Web Advertising Limited • WorldWide Volunteering For Young People

Roundhay Road Resource Centre, Leeds
Ask4translations • Juvenile Diabetes Research Foundation Limited • Leeds Development Education Centre Limited • Medical Foundation for the Care of Victims of Torture • Radio Asian Fever CIC • RETAS Leeds • The Theatre Company Blah Blah Blah

Scotia Works, Sheffield
Access Your Ability Ltd • Conflict Resolution Education in Sheffield Schools Training • Dally Henderson Landscape Architects Limited • Development Education Centre • MESH Community Cohesion Services • Pedal Ready Co-operative Limited • Sheffield Domestic Abuse Outreach Service • The Sheena Amos Youth Trust • Walking Women Limited

Scotland

Thorn House, Edinburgh
Action on Depression • Association of Chief Officers of Scottish Voluntary Organisations • Cancer Research UK • Carplus Trust • Conference of Socialist Economists • Elizabeth Finn Care • Evaluation Support Scotland • Friends of the Earth Ltd • International Voluntary Service • Learning Disability Alliance Scotland • Link Community Development Scotland • Living Streets • Network of International Development Organisations in Scotland • Social Enterprise Academy • Social Enterprise Scotland • Sustainable Inshore Fisheries Trust • The Melting Pot • Transform Scotland Limited • Voluntary Service Overseas • World Development Movement Trust Limited

Dividend waiver

Highlights

Eight organisations have been supported through short term hardship • 100% of the Fund used to support rent hardship cases • 75% of tenants supported (86% by value of support) managed to recover and remain as tenants.

The Making Waives Fund allows us to explore and develop initiatives that strengthen our social and environmental returns. If you are a shareholder interested in supporting the Fund, you can do so at any time by completing a dividend waiver form.

Dividend waiver expenditure in 2012/13 was as follows:

	Actual	Budget
Brought forward	£364	£364
Contributions for the year	£13,355	£17,000
Total income	**£13,719**	**£17,364**
Rent hardship fund and supporting start-up organisations	£12,018	£12,500
Total expenditure	**£12,018**	**£16,500**
Carried forward	**£1,701**	**£864**

The Rent Hardship Fund

The Rent Hardship Fund is a pot of money we put aside out of the Dividend Waiver Fund to support tenants who experience short-term funding problems. This has always been one of the key ways we can support smaller, more fragile organisations for short periods of time.

The Fund proved invaluable over the last 12 months with the number of requests for support increased significantly. More organisations faced funding gaps and some found their support cut or reduced at short notice as local authorities continue to grapple with budget cuts.

To meet demand and to protect otherwise viable tenants, it became necessary to divert the whole of the Making Waives Fund towards supporting those tenants who had clear business cases for temporary support and potential future income. As a consequence, we were unable to make the planned expenditure on supporting the Ethical Property Family.

During the year we funded eight organisations that were experiencing short term hardship. Support was in the form of additional discounts for limited periods of time or rent holidays, or in one instance, assistance towards a rates bill. It is heartening to note that six of the eight organisations supported, successfully worked through their period of hardship and remain as tenants, able to pay their rents as normal.

The proposed budget for Making Waives in 2013/14 is as follows:

Dividend waiver – next year's priorities

Brought forward	£1,701
Contributions for the year	£13,000
Total budget for the year	**£14,701**
Rent hardship fund and supporting start-up organisations	£12,000
Supporting the Ethical Property Family	£2,000
Total expenditure	**£14,000**
Carried forward	**£701**

The Rent Hardship Fund and supporting start-up organisations

We will continue to support resilient, dynamic organisations through periods of hardship. This will enable organisations to refocus their funding strategies and continue to deliver on their objectives.

We have therefore assumed that most of the Fund will be absorbed by this support.

Support for the Ethical Property Family

We continue to press forward with developing the strategy for leading the diverse Ethical Property Family, which now includes Ethical Property Australia. We have been progressing ideas to respond to expressions of interest we receive from people overseas, who have seen our model and are keen to replicate it in their own country. This activity remains at modest levels, but the Making Waives Fund could make a contribution towards the development of a model that could help us harvest some of the worldwide interest Ethical Property continues to generate.

The Ethical Property Family

Highlights

Two new EPE centres planned in Belgium • ETIC raising over €2m to finance Paris building • Launch of Ethical Property Australia.

The Ethical Property Family consists of companies operating in five countries, providing property, IT and advice services to charities and social change organisations. Each of these companies is guided by *The Quintessentials* and work in accordance with our ethical principles.

	Holding	Investment value		Management interest
		£	€	
Ethical Property Netherlands	50.7%		Nil	1 senior manager of Ethical Property on senior management team
Ethical IT LLP	50%	45,000		2 Ethical Property representatives on management team
Social Justice & Human Rights Centre Ltd (The Foundry) (See page 5)	40.7%	1,700,000		2 Directors of Ethical Property on Board
Ethical Property Europe sprl	39%		2,000,000	1 Director of Ethical Property on Board
ETIC (France)	2.25%		10,000	-
Ethical Property Foundation	-	-	-	1 Director of Ethical Property is Chair of Trustees
Ethical Property Australia	50%	Investment not yet made		1 Director of Ethical Property on Board

Ethical Property Europe (EPE)

Ethical Property Europe's activity last year remained quite stable. They currently own two centres; Mundo-B (together with an organisations' cooperative) and Mundo-Namur, located in Brussels and Namur respectively. They also run a management contract for three youth organisations based in Brussels, which will shortly move to their new centre, Mundo-J, which in turn will be followed by the opening of a further new centre in Antwerp. In total, they currently own/manage 8,000m²/86,000ft² of space benefitting 89 organisations.

Environmentally, they saw a slight increase in energy consumption last year, partly due to the cold winter. Initial targets were however still met. In addition, waste management was improved by strengthening their cooperation with waste collection companies, supporting initiatives in furniture upcycling and raising awareness among our members about the reuse of items.

The prospective opening of two new centres has created a great deal of momentum - Mundo-J will provide a home to a mix of youth and social organisations in a Brussels property (second centre in Brussels) under a lease/sub lease formula. Mundo-Antwerp would subsequently become their first new-built property and first centre in Flanders, located on a plot leased by the city of Antwerp. They expect to open Mundo-J in 2014 and Mundo-Antwerpin 2015.

For more information please see www.ethicalproperty.eu.

ETIC

Over the last year ETIC has raised over €2m to finance its first centre in the east of Paris: Mundo-Montreuil. With over 2,000m²/22,000ft² of office, meeting and conference space, the centre will also be home to an organic café and will open in November 2014 with over 40 tenant organisations. Development also continues on a number of other projects, two of which are quite advanced in Nanterre and Castres.

Alongside its owned centres, ETIC now manages a further three centres: Le Comptoir-étic in Lyon (a co-working space for social entrepreneurs), La-Nef in Lyon and Le BeeoTop in Paris, 2000m²/22000ft² of office and conference space themed on social responsibility.

ETIC now has 45 investors with small private shareholders including employees and tenants, in addition to business angels and social investment funds. Ethical Property Europe has invested €220k and Ethical Property UK €10k as well as offering a €50k bullet loan. Thanks to these activities, ETIC is closing its third year with a net positive result of €4k.

For more information please see www.etic.co.

Ethical Property Australia

As has been mentioned earlier in this report, during the year the decision was made to make an investment to establish Ethical Property Australia, led by our former Property Director, Peter Allen. In late 2013, work started in earnest and the first property management contract for a large building in Melbourne should shortly be agreed.

For more information please see www.ethicalproperty.com.au.

The Ethical Property Family

Highlights

EIT now providing IT support to over 360 organisations • The Foundation advising more than 200 charities on property matters.

Ethical Property Netherlands (EPNL)

EPNL continues to manage Stichting Klein Haarlem, a charity providing offices, co-working desks, meeting rooms, business support and events to creative, cultural and social entrepreneurs in Haarlem. In April 2013, EPNL successfully oversaw Stichting Klein Haarlem's move to a new building of 1,000m²/10,700ft² providing space to 40 tenants.

However this contract is not sufficient to sustain EPNL on its own; over the past year, they have unfortunately failed to secure a suitable property to purchase or lease due to the state of the property market and the challenge in raising finance for property backed schemes in the Netherlands.

As a result, we have made the prudent decision to write off the value of our investment in EPNL.

For more information please see **www.ethicalproperty.nl**.

Ethical IT (EIT)

Ethical IT LLP is now formally three years old and continues to grow steadily with almost 300 Ethical Property tenant customers (in both our owned and managed buildings) and over 60 non-tenant customers including large organisations such as ActionAid, Greenpeace, Family Action and the Ramblers Association. As of September 2013, 50 of these customers were UK charities and 10 UK not-for-profit organisations.

The holistic service they provide includes telephony and internet access systems; extended Cloud Services such as email and file storage; extended helpdesk support and consultancy. All services are provided giving appropriate consideration to the environmental and social impact of the products they use or recommend to their customers.

Following the set-up of the formal partnership with JADe, Ethical IT LLP is now one of the UK's key service providers of IT and telephony services to the social change sector. Turnover for the partnership in 2013/14 is projected to be in excess of £1,000,000.

Last year a key focus was the installation of upgraded communal internet lines in most Ethical Property centres. This much needed upgrade will provide these buildings with first class fibre based internet connectivity, available to all tenants as part of their rent.

Significant time has also been spent on improving the sales process as well as creating a better digital presence including the company website and social media channels. Elsewhere, the IT apprentice scheme continues to bear fruit, with two full-time members of staff having graduated from the scheme to form part of a 12 strong staff team, working alongside a number of associates.

Looking ahead, Ethical IT intend to continue to support Ethical Property through our expansion plans, as we continue to invest in our infrastructure; most notably with the upgrade to communal internet lines in most centres. In addition, the expansion of the 'Ethical Cloud' – a platform that has now been enhanced and hosts in excess of 1000 users - will provide a cost effective and energy efficient office IT solution for both tenants and external customers alike.

For more information please see **www.ethicalit.net**.

Ethical Property Foundation

It has been a year of 'firsts' for the Ethical Property Foundation and they are particularly proud that 1000 charities have now benefitted from their free Property Advice Service.

The tough economic climate and changes to legislation have increased the pressure on charities with regards to property this year. Consequently, the Foundation has seen a 16% rise in the number of charities it has advised and a 30% increase in the number of charities using its online information resources.

Last year, their team of property advisers supported 202 charities across England, secured free or discounted professional advice for 53 charities from the Foundation's Register of Property Professionals, and provided specialist property training to 100 charities. The quality of the support provided has been reflected in feedback from the charities they work with; 85% rated their advisers 5/5 in their latest survey. Feedback from charities supported by the Foundation indicate that they have helped them to negotiate cost savings – on professional fees, rent, service charges, dilapidations, business rates and utilities; and to generate income from new grants or new income from their premises.

In addition, they have continued to grow their consultancy and training offer, providing property advice, know-how and intelligence to charities, social enterprises, local authorities and property companies.

In April, they launched their Charity Property Matters survey, the largest of its kind, delivered in partnership with the Charity Commission. The key survey findings, which were widely covered in the charity media, were striking. 40% of charities consider their building to be the greatest risk facing their organisation, and 17% fear they will fail to deliver services due to property constraints. They are using the survey results to help them identify how they can work to tackle some of the root causes of the property challenges that charities face.

Throughout the year, they have been working with partners including Kingston University and the British Institute of Facilities Managers to pilot the 'Fairplace Award', the Foundation's quality mark for buildings managed with people and planet in mind. A diverse range of buildings, from corporate HQs to further education campuses have been involved in the pilot, and they look forward to celebrating the successes of the pilot participants next year.

For more information please see **www.ethicalproperty.org**.

Social performance

Highlights

Gaining accreditation as a Living Wage employer • 4.5:1 staff salary ratio • 10% increase in the number of tenants renting space in our centres • Significant improvements made to communal areas • 95% staff satisfaction.

Our business model has been shaped directly by our values – these determine who we work with, what services we offer, where we locate our buildings and how we treat staff and other stakeholders.

We seek to have a positive impact on society through:

- **Our tenants and clients:** we work primarily with organisations that are striving to create a more equal society or to protect the environment
- **Our services:** we provide physical space and services designed to support such organisations in their work and to offer opportunities for them to share resources and ideas
- **Our locations:** most of our buildings are sited in areas of social deprivation
- **Our employment practices:** we aim to create a positive working environment for all our employees, to reward their work fairly and to ensure equality of opportunity
- **Our openness and transparency:** we strive to be honest, open and transparent with all stakeholders.

The following pages highlight the aspects of our social performance which we believe are the most significant within our owned properties. Please note that we do not currently report upon the social and environmental performance of the properties we manage on behalf of others. More detailed information can be found in the **supplement document** – please see below for details.

Our tenants and other clients

Last year we provided office and retail units to more tenants than ever before. As of September 2013, 263 organisations and individuals were occupying space in our owned centres, a 10% increase over the previous year. Unlike previous periods of growth, this is not the result of having more buildings, but reflects the changing needs of the charitable and social sector, as organisations are using space more efficiently and there is higher demand for smaller offices and single desks.

In 2012/13, 62% (2012: 66%) of our tenants were charities or other non-profit-making organisations; the others were businesses working in the social sector, such as consultancies and service providers, or small, mostly local businesses.

As well as letting out our own space, property management for others is now a well-established part of our business. Clients are chosen carefully, to ensure that we can continue to work within our established values. In the year ending September 2013, we had eight clients for whom we provided property management services:

- Bath Quaker Meeting lets out its halls to local community groups – see **www.bathquakermeeting.org.uk**
- Community Base exists to provide office space for community and voluntary groups in Brighton and Hove, and services to the local community – see **www.communitybase.org**
- Resource for London offers office space and conference facilities to the charitable and voluntary sector, with a focus on those providing services within London – see **www.resourceforlondon.org**
- St Michael's Memorial Parish Hall is available for hire by community groups and is also used by the local school – see **www.ethicalproperty.co.uk/stmichaelsparishhall**
- The Unitarian Chapel Bristol lets out its hall to local community groups and has two offices available to rent – see **www.ethicalproperty.co.uk/theunitarianchapel**

(All the above organisations are registered charities.)

- Andrew King (Snap Studios, Bristol) is one of the two founders of Ethical Property and is continuing his personal aim of providing affordable rental property to local businesses and organisations in Bristol
- Brighton Open Market will form part of a large scale development which will include 12 workshops, as well as 45 permanent units and up to 50 temporary stalls and event space. For more information please see page 5 or visit **www.brightonopenmarket.co.uk**
- The Foundry, due to open in Autumn 2014, is our largest project to-date providing 3,250m²/35,000ft² of space - home to 30 organisations and 330 people. For more information see page 5 or visit **www.aplaceforchange.co.uk**

Until 31st July 2013, we were also involved in the management of the Student Hub's building in Turl Street, Oxford.

Supplement available at **www.ethicalproperty.co.uk/annualreports**
To request a printed version, please call **01865 207 810** or email **info@ethicalproperty.co.uk**

Social performance

Our services

Our vision has always been to offer something distinctive and beneficial for the not-for-profit and social change sectors: premises that are appropriate for their needs, affordable, flexible, well-managed and enhanced by the presence of like-minded organisations.

Our annual tenant satisfaction survey once again showed an average satisfaction rating of 3.8 (on a scale of 1 to 5, with 1 being very dissatisfied and 5 being very satisfied).

Range of offices available

One aspect of this is the range of office sizes we offer. Our largest single tenant occupies a whole floor of Brunswick Court – just under $500m^2$/$5,3000ft^2$ – whilst around the country we have 83 tenants who occupy less than $10m^2$/$107ft^2$.

Although we saw 60 tenants move out over the last year, 84 new organisations moved in and our single desk spaces proved particularly popular, with 42 full-time or part-time desk users at the end of the year. A number of existing tenants also increased or decreased their space. We believe that this indicates that we responded well to the changing needs of the sector, something that was also reflected in our relatively low level of voids.

In addition to offering space of different sizes, in the cities where we have more than one building, we tried to create complementary environments, suiting a variety of budgets and needs.

Building improvements

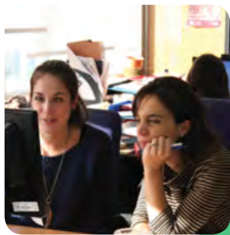
In 2011/12 we reported plans to refurbish a number of our centres, to improve the working environment for tenants and to ensure that the communal facilities are of a professional standard. Many of these have now been put into effect: centres benefiting from redecoration or more substantial refurbishments last year included Brunswick Court, Development House, Green Fish Resource Centre, The Old Music Hall, Picton Street and the South Vaults at Green Park Station. We also improved the disabled access at both Brighton Junction and Development House.

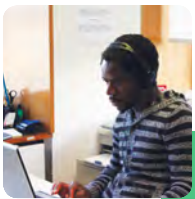
Networking and resource-sharing

The presence of like-minded organisations has always been one of the features that tenants most appreciate about our centres. Interaction often occurs simply through chance meetings in the communal spaces; but we also encourage different organisations to meet at social events or to share resources.

Development House, our largest centre, continued to lead the way in participation in social events and tenant-led activities, many shared with the nearby Grayston Centre. These included a shared skills workshop, social media training, a cycling group and the annual barbecue. Elsewhere new initiatives included free tango classes (Oxford), a Macmillan Coffee Morning (Manchester), social lunches (Edinburgh) and a joint fundraising event (Brunswick Court, Bristol). Colston Street tenants continue to explore the possibility of forming a group to purchase ethically sourced food, while the new café at Brighton Junction is proving to be a lively hub for both tenants and visitors. Despite the success of these activities, we remain aware that individuals in our centres often find it difficult to make time to attend organised events. We have therefore worked on improving access to digital information, to enable tenants to take advantage of being part of the Ethical Property network in the most efficient way possible. The Tenant Resources section of our website, which we launched in late 2012, now provides tenants and staff with easy access to an electronic noticeboard, meeting room booking system and centre email lists.

We have also increased our use of social media and in particular our Twitter account (**www.twitter.com/ethicalspace**), both to raise our own profile and to publicise the activities of the organisations in our centres. This account links to a digital newsletter, '*Ethical Tenants*', which collates news and articles produced by and relevant to our tenants.





Supplement available at **www.ethicalproperty.co.uk/annualreports**
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Social performance

Our locations

Many of our centres are located in areas of significant social deprivation and five of them fall within the most deprived 25% of local areas in the country, according to the Government's Index of Multiple Deprivation. We believe that having a lively, well-maintained building in such an area can contribute both to the local economy and the quality of the environment for the people who live and work there. More information on the Index is provided in the supplement.

Our employment practices

Our key aims as an ethical employer are to:

- create a positive working environment
- pay salaries which are fair and appropriate
- promote equality of opportunity.

Our annual staff survey showed widespread enthusiasm amongst staff for working for the company and a high degree of shared values. 95% of respondents said that they enjoyed working for the company and all felt they shared the company's values in whole or in part. More detail can be found in the supplement, along with a breakdown of our staff numbers.

In January 2013 we were accredited as a Living Wage employer[1] and we continue to maintain our exceptionally low pay ratio between the highest and lowest paid member of staff – 4.5:1.

Fairness, honesty and transparency

Our aim is to treat all our stakeholders, our tenants and other clients, our shareholders, our staff and our suppliers, with fairness, honesty and transparency.

We continue to hold regular meetings with tenants in most of our centres, to give them an opportunity to comment on general management issues. Property managers are available on a daily basis and we are also working on a new, comprehensive Tenant Handbook, which will contain all relevant policies and information.

In 2011/12 we trialled regional meetings with shareholders and last year we expanded this programme and offered shareholders meetings in Bristol, Brighton, Manchester and Edinburgh. We will continue to pursue this way of engaging with shareholders, as it allows access to both our Board and members of our Senior Management Team for those who may not be able to attend the AGM.

We have also continued to work with Ethex[2] to develop our profile on its online share portal, which went live in early 2013. We believe that this offers investors a much more informative and independent analysis of the company than has been available in the past, comparing our performance with those of 12 other social businesses in a very visual way. Details of our performance in this area, in relation to staff and suppliers are given in the supplement – see below for details.

Supplement available at **www.ethicalproperty.co.uk/annualreports**
To request a printed version, please call **01865 207 810** or email **info@ethicalproperty.co.uk**

[1] www.livingwage.org.uk/employers
[2] www.ethex.org.uk

Environmental performance

Highlights

Developing an Environmental Strategy for our properties • Company on target to achieve 2020 target for CO_2 emissions • The Foundry development on target to hit sustainabiliy targets.

As well as our social commitments, we aim to deliver an environmental return through the purchase, refurbishment and management of property. We seek to own buildings with strong public transport links; which are refurbished to minimise energy and water use; and which are then managed efficiently.

The following page highlights the elements of our environmental performance which we believe are the most significant. More detailed information can be found in the supplement document – please see below for details.

Our energy usage

We always put considerable effort into measuring and monitoring the energy and water use in our centres, while reducing usage and carbon emissions through the improvement of building fabric and services, better building management, the use of renewable energy and by educating building users.

In the last year our overall energy use and associated carbon dioxide (CO_2) emissions increased, as below.

Key energy use data 2012/13[3]		**Change from 2011/12**
Total energy use	2,541,746 kWh	+7.7%
Average energy use /m²	139.7 kWh	+6.8%
Total CO_2 emissions	819,950 $kgCO_2/m^2$	+5.2%
Average CO_2 emissions[4]	46.5 $kgCO_2/m^2$	+2.2%

These increases were mainly due to more intensive and prolonged gas use during the winter and spring. However, we saw the benefits of improved insulation in three buildings, which had lower than average increases. In addition, the impact of the increased energy use on CO_2 emissions was mitigated by a drop in the electricity generation emissions for the National Grid and a slightly larger proportion of our energy being generated from solar panels and wood. With our average CO_2 emissions slightly lower than our target for the year (47.1 $kgCO_2/m^2$), we are still on track to achieve a reduction of 13% on 2008 levels by 2020.

Although the process of improving our centres has successfully reduced emissions, we are aware that there is a limit to what we can achieve with the buildings that we have, even with further investment. We have therefore prepared a seven year environmental plan to ensure that we continue to meet our targets, through environmental evaluation of potential acquisitions.

The impact of large properties

Within our current portfolio Development House remains the largest building and environmentally one of our poorest-performers. It therefore has a high impact on the company's average energy use and associated emissions. Analysis of the usage figures from 2011 -12 shows that if Development House were excluded from the data, then we would already be hitting our overall portfolio targets. The obvious conclusion to draw from this is that we need to focus on the energy efficiency of our larger buildings.

The Foundry is a good example of the standard of building to which we aspire. It has been designed to use significantly less energy than required under current building regulations, which means it should use much less energy per m² than even our best-performing existing building. While The Foundry's energy use will be reported separately from our portfolio (as we have a minority interest in the project) modelling suggests that the addition of such a building to our portfolio would reduce average energy use to 109 kWh/m², and emissions to 40 $kgCO_2/m^2$.

Our growth strategy anticipates setting up at least two more large centres over the next few years. The effect of this growth would be to reduce energy use over the portfolio to around 72 kWh/m² and emissions to around 27 $kgCO_2/m^2$. Ensuring that our largest centres are sufficiently energy-efficient is a vital part of this strategy, and we plan to develop guidelines that will help us to establish whether potential acquisitions can be refurbished to the required environmental standards.

Efficient management of our properties

Being a 'green' company is not just about meeting targets however and we realise the importance of managing our existing stock actively and efficiently. We continue to ensure that all property management teams understand how their buildings have been designed to work and take a keen interest in monitoring their energy and water usage.

Some aspects of our environmental performance are dependent on the choices made by individuals using the centres, so we also continue to engage with them, as well as setting minimum standards for the fabric and services in each building and incorporating these within maintenance plans.

Further information on our energy and water use, waste management and transport can be found in the supplement document – see below for details.

Supplement available at **www.ethicalproperty.co.uk/annualreports**
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[3] Totals for energy and carbon dioxide include Green Park Station shops, but averages per m² do not because of the inconsistent features of the supplies there.
[4] Based on the fuel mix in the National Grid for electricity – see supplement for more information.

Social and environmental audit

Auditor's Assurance Statement – The Ethical Property Company Limited, 2013.

Scope and objectives

The Ethical Property Company Limited ('Ethical Property') commissioned Henriques & Co. Ltd ('the Auditor') to undertake independent assurance of its 2012/13 Social Report (pages 11-14 of this Annual Report) ('the Report') together with the supplementary material available online. Henriques & Co. Ltd has no other relationships with Ethical Property that might compromise its independence. This is the fourth year that the Auditor has reviewed the Ethical Property Social Report. The assurance process was conducted in accordance with AA1000AS (2008) and designed to provide Type 2 moderate assurance. The Global Reporting Initiative (GRI) Quality of Information Principles were used as criteria for evaluating performance information.

Responsibilities of the Directors of The Ethical Property Company Limited and of Henriques & Co. Ltd

The Directors of Ethical Property have sole responsibility for the preparation of the Report. This statement represents the Auditor's independent opinion and is intended to inform all Ethical Property's stakeholders, including management. A balanced approach towards Ethical Property stakeholders was adopted. The Auditor was not involved in the preparation of the Report. A management letter was also produced. The work was performed by Adrian Henriques; see www.henriques.info for information on independence and competence.

Basis of our opinion

The Auditor's work was designed to gather evidence with the objective of providing assurance as defined in AA1000AS (2008).

To prepare this statement, the Auditor reviewed the Report and supplementary online information, visited Ethical Property sites and interviewed managers and staff. Feedback was provided to Ethical Property on drafts of the Report and other material and where necessary, changes were made.

We are satisfied that we have been allowed unhindered access to the financial and non-financial accounts, documentation and reports covering Ethical Property's activities and stakeholder engagements and to its managers and staff.

Findings and opinion

On the basis of the work we have done, we believe the Report reasonably represents Ethical Property's principal stakeholder relationships, impacts on its stakeholders and its responses to their concerns.

However the Report does not cover the international activities of Ethical Property or the properties managed by Ethical Property that they do not own.

Observations

Without affecting our assurance opinion we also provide the following observations.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Ethical Property continues to consult its key stakeholders: tenants and staff. However it is disappointing to see the reduction in the response rate to the tenant survey. While tenant satisfaction has held broadly steady, it remains slightly below the target level.

The staff survey also showed a reduction in response rate. However the attitude of staff who did respond seems very positive.

Material issues are those which are necessary for stakeholders to make informed judgments concerning Ethical Property and its impacts.

The Report deals with the main issues specified in *The Quintessentials* and of concern to stakeholders and the environment. Future reports should include the impacts of the major management contracts that were operated during the year.

The Report also includes an expanded supplier section in addition to the analysis of electricity suppliers.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues.

In difficult economic times for the voluntary sector it is to Ethical Property's credit that it has been flexible enough to provide space for tenants' changing requirements while broadly maintaining both tenant satisfaction and occupancy levels.

The Report contains a reasonable appraisal of the conditions that have led to a broadly stable level of occupancy. Ethical Property has begun to develop an overall environmental strategy and it will be important to ensure that this is relevant to all managed properties.

It is welcome to see that Ethical Property is now an accredited Living Wage employer. We recommend that a policy on Zero Hours contracts be developed.

Performance data

While there appear to be no major inaccuracies in the data, it will be useful to review the various data systems to take fuller advantage of automation. Some data measurement protocols have now been documented.

A. Henriques

HENRIQUES & CO. LTD
LONDON, DECEMBER 9TH, 2013

Adrian Henriques
Social Auditor
Henriques & Co. Ltd
London; November 2013

Financial performance

Highlights

Investment property valuation increased by 18% • Net Asset Value per share increased by 23% • Turnover increased by 4.3%.

This section aims to draw out key elements of shareholder interest from the annual accounts using a series of indicators detailed below:

Profitability

In 2012/13, Operating Profit increased to £904,780 including profit on the sale of land. After many years and very complex negotiations, the sale of the freehold of the car park next to Development House concluded in April 2013 for £299,533 after costs.

As detailed below, we took the opportunity to use some of the proceeds to increase our expenditure on maintenance and improvements on some of our buildings. We added to our Sales and Marketing staff and created a new role of Operations Director. We also undertook a review of staffing in other areas resulting in some additional rationalisation and redundancy costs.

Dividends

This is a measure of the financial returns offered by the company, calculated as the proposed dividend per share, as a proportion of the dividend forecast in the most recent share issue.

A dividend was declared for distribution in April 2013 of 1.5 pence per share. This represents 40% of the forecast quoted in the 2010 share prospectus.

Net Asset Value per share

This is a measure of the capital value of each share in the company, calculated as Net Asset Value per share. For 2012/13 the Net Asset Value was 95 pence per share (last year 77 pence).

Selling shares

This is a measure of how easily shareholders can sell their shares on the Matched Bargain Market. We use the level of activity in the market and the surplus shares left untraded at the year-end as indicators of the liquidity of our shares. We define liquidity as shareholders being able to sell their shares when they need to. We measure this as the percentage of shares presented for sale that were sold. Thus if all shares were sold by the year end, liquidity would be 100%. If there are sellers on the market at the year-end, liquidity is less than 100%, whereas if there are buyers on the market liquidity is over 100%.

We are constantly seeking ways to improve the liquidity of our shares. In the first quarter of the year the new Ethex platform was launched (See page 13). We hope that this will increase both the frequency and scale of trades in our shares.

This year a total of 28,792 shares were traded on the market (2011/12: 76,000), with a surplus of 211,191 shares left untraded at the year-end (2011/12: 286,124). Liquidity was 12.0% (2011/12:21.2%).

The reduced trading in the shares over the last few years is disappointing; we believe this is primarily due to the drop in Net Asset Value as a result of the property values and the reduced dividend.

We see increasing new asset value, through the increase in the value of our portfolio and improved operating performance, as key. We will also seek to address this through increased marketing of the company, both through the share platform, Ethex, and via more established marketing channels.

Repairs and maintenance

This is a measure of the percentage of annual rental income spent on repairs, maintenance and insurance of buildings. This year £153,669 was spent in these areas on the property portfolio (2011/12: £127,182). This represents 7.6% of rental income (2011/12: 6.5%). Further capital spending of £85,735 (2011/12: £80,189) to improve the fabric of our properties was also made.

Empty space and lost rent

The lost rent is a measure of the percentage of the value of lost rent as a proportion of total expected rent. For the year, the percentage of empty space in all our buildings was 6.1% compared with a restated figure of 6% for last year. Empty space peaked in January and February 2013 at 6.8% and has been on a downward trend since.

Rental levels

We continue to monitor rental levels and in January 2013 completed a review of our rents compared with a range of properties in the same locality. As in previous years, we continue to find that Ethical Property buildings are good value and compare well with similar buildings.

Financial performance

Tenants in other buildings pay the landlord slightly less, but have to arrange for additional services themselves, and pay service providers directly. This is particularly the case for meeting spaces and IT services, which are often additional costs that Ethical Property include. The findings of this review were taken into account when we set the new rent levels for each centre in April 2013, resulting in increases of up to 4%. However, in two instances in the North of England we have had to make significant reductions in rent to remain competitive.

Property values

We usually provide a table giving an indication of the overall increase or decrease in the capital value of each of our properties over Book Cost since they were purchased. This year, due to commercial sensitivity, we have excluded the table in favour of a summary of changes.

'Book cost' is the amount we have actually spent on the purchase of and subsequent improvement to a property. Values are based on September 2013 valuations undertaken by GVA Grimleys on all properties. There has been an increase in the value of our portfolio of 18.1%; this is compared with a 2% decrease in values in the previous year. As in other years, there have been variances between individual property values, but the effects are largely regional. London has seen increases of over 25% overall in the last year, with southern regions showing an 8% increase overall. Northern regions continue to lag, with an overall increase of 2.4%.

Each property has been reviewed separately; the opening values plus in-year additions have been compared to the closing valuations. The permanency of any surplus or deficit on revaluation has been assessed by reference to the five year position based on a 15% uplift and the opinion of the surveyors. Where the five year position shows a reduction in value, any current year decrease has been charged to the Profit and Loss account. If the five year position is positive and any previous deficits have been charged to the Profit and Loss account, the charge has been reversed by the lower of the amount already charged to the Profit and Loss account and the movement in value in the year. As a result net reversals of £275,037 have been credited to the Profit and Loss account. All other valuation movements for the year have been taken to the Revaluation Reserve.

Return on property investment

Return on Book Cost measures the annual rents received, by property, after maintenance and insurance costs as a percentage of the Book Cost. Overall this has increased from 7.6% to 7.7%. Archway Resource Centre, Colston Street Centre, Development House, Green Fish Resource Centre and Picton Street Centre have all increased their returns through more rents generated. Scotia Works and Roundhay Road Resource Centre have declined due to higher levels of empty space and additional discounts.

Returns for Green Park Station are not included in the figures above, as this centre was purchased on a 50 year lease with a small premium and therefore is not comparable. However, the return calculated in the same way for Green Park Station was 526.2%, compared with 472% in 2011/12.

Summary of property cost, value and growth rates

Region	Book Cost at 30th Sept 2013	Value at 30th Sept 2013	Value at 30th Sept 2012	Year on Year Growth
London	£9,281,656	£10,775,000	£8,555,800	25.9%
Oxford and the Midlands	£3,856,863	£2,250,000	£1,875,000	20.0%
The South West	£1,752,785	£3,155,000	£2,858,500	10.4%
Brighton	£1,310,433	£1,000,000	£970,000	3.1%
Scotland	£3,162,555	£925,000	£900,000	2.8%
Pennines	£1,732,580	£1,325,000	£1,296,000	2.2%
Total	**£21,096,872**	**£19,430,000**	**£16,455,300**	**18.1%**

Report of the Directors

For the year ended 30th September 2013

The Directors present their report and the financial statements for the year ended 30th September 2013.

Principal activity

The principal activity of the company is to support charities, co-operatives, community and campaign groups and ethical businesses by developing and running centres that are focal points for social change. At these centres the tenant organisations benefit from reasonable rents, flexible tenancy terms and office space facilities designed to meet their needs. They also become part of a working community where they can exchange skills and ideas under one roof. The Ethical Property Company offers investors the opportunity to make an ethical investment in property that supports groups working for social change.

Business review

In March 2012 the Social Justice & Human Rights Centre Ltd, a company we have invested in along with Joseph Rowntree Charitable Trust, Trust for London, The Barrow Cadbury Trust and LankellyChase Foundation, purchased a building in London – The Foundry. During the year, loans totalling £5.4 million were secured from Rathbones, The Charity Bank, Big Society Capital, and Bridges Ventures. Further loans were also secured from existing investors. The project is now fully funded. The building and refurbishment work is well advanced and due to be completed by August 2014. Interest from potential tenants is strong.

We also completed the disposal of the land next to Development House for a profit (net of expenses) of £299,533.

The situation with regard to empty space (voids) has been changeable but positive overall. We ended last financial year (September 2012) at a reduced void level of 6%, after having seen it rise to over 8% earlier in 2011. In the first quarter of this year it again rose, but since then has been on a steady downward trend and finished the year at 6.1%, helped by additional marketing. This positive trend has continued into the new financial year.

During the year rental income increased by 3.9%, and we won the contract to manage Brighton Open Market, which is due to open in January 2014.

Operating Profit for the year was £904,780 (£693,977). This includes the profit on disposal of land. We incurred additional charges to the profit and loss account of £32,038 for maintenance, improvements and associated depreciation compared to the previous year. This was a planned additional expenditure to use part of the proceeds from the land disposal to update some of our buildings. Staff costs increased by 8.2%. This included new staff to support our sales and marketing efforts, the creation of the new role of Operations Director and some redundancy and reorganisation costs.

Also during the year the Durham Road Resource Centre was the subject of an arson attack that caused extensive damage and resulted in the building being closed for several months. Along with the insurance repairs, we took the opportunity to bring forward some planned upgrade work. The building is now fully operational again.

Property valuations (excluding associated plant and machinery) have improved significantly, adding £2,419,098 (14.4%) to the value of the portfolio. Of this, £1.8 million (74%) of the improvement has come from our London properties, though with some increases elsewhere as well, particularly Oxford and Bristol. However we have also had to recognise a £90,388 permanent diminution in value of Scotia Works in Sheffield.

Principal risks and uncertainties

The company's management has a key objective to reduce the risks the company faces. It does this through a number of specific policies and close management of the day-to-day operations in order to avoid, for example, bad debts. More recently, we have sought to diversify the company's sources of income through the development of new business areas based on the company's existing operations.

Currently, the principal risks the company faces are:

Expiry of Term Loans in 2016 which may not be renewed

The company reviews its forecasts on a regular basis and maintains close links with its lenders to ensure it has sufficient funding to meet its needs.

Further reduction in the value of the property

The company is exposed to movements in the value of the property against which our bank loan is secured. We monitor the property indices monthly and keep in contact with Triodos Bank. Continued diminutions in the value of our properties could compromise the company's ability to pay dividends.

Price risk, credit risk, liquidity risk and cash flow risk

The business' principal financial instruments comprise bank balances, bank loans, trade debtors and trade creditors. The main purpose of these instruments is to finance the business operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest where required. All of the business's cash balances are held in such a way that achieves a competitive rate of interest.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors. Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Results and dividends

The profit on ordinary activities after taxation and before the exceptional item amounted to £572,542 (2012: £316,423). No tax is payable this year due to capital allowances and tax losses brought forward.

On 6th February 2013 the Directors declared a dividend of 1.5 pence per share which was paid in April. The dividend was £204,604 of which £13,356 was waived.

The company also uses an extensive range of non-financial indicators to measure its environmental and social performance. It sets targets for this and reports on them in its published Annual Report.

Directors and their interests

The Directors who served during the year and their beneficial interests are as follows:

	Ordinary shares of 50 pence each	
	At 30th September 2013	**At 1st October 2012**
P Bellack	25,000	25,000
B Burlton	12,500	12,500
M Luntley	Nil	Nil
S Ralphs	3,500	3,500
L Tennant	Nil	N/A
J Whitaker	Nil	Nil

Shareholdings

As at 30th September 2013, the composition of the shareholdings of ordinary shares in the company was as follows:

Number of shares held	Number of shareholders	Total shares	% of all shareholders	% of all shares
500 or less	322	128,310	24%	1%
501 to 1,000	278	259,727	20%	2%
1,001 to 2,000	188	315,354	14%	2%
2,001 to 5,000	270	1,010,629	20%	8%
5,001 to 10,000	139	1,122,621	10%	8%
10,001 to 50,000	119	2,632,651	9%	19%
50,001 to 100,000	13	921,154	1%	7%
100,001 to 500,000	22	4,770,371	2%	35%
500,001 to 1,000,000	2	1,389,428	less than 1%	10%
1,000,001 to 5,000,000	1	1,090,010	less than 1%	8%
Total	**1,354**	**13,640,255**	**100%**	**100%**

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Approved by the Board on 7th January 2014 and signed on its behalf by:

Susan Ralphs
Company Secretary

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions; and disclose with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report

To the Members of The Ethical Property Company Limited

We have audited the financial statements of The Ethical Property Company Limited for the year ended 30th September 2013, set out on pages 23 to 33. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 20), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 company'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 Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Robert Kirtland
Senior Statutory Auditor
for and on behalf of

Critchleys LLP – Statutory Auditor
Chartered Accountants
Greyfriars Court, Paradise Square, Oxford, OX1 1BE

Date: 10th January 2014

Profit and Loss Account for the year ended 30th September 2013

Profit and loss account

	Note	2013 £	2012 £
Turnover	2	**3,716,690**	3,562,933
Cost of sales		**(1,546,307)**	(1,425,772)
Gross Profit		**2,170,383**	2,137,161
Administrative expenses		**(1,637,318)**	(1,541,055)
Other operating income	3	**371,715**	97,871
Operating Profit	3	**904,780**	693,977
Income from participating interests		**16,988**	-
Other interest receivable and similar income	6	**48,801**	21,145
Interest payable and similar charges	8	**(398,027)**	(398,699)
Profit on ordinary activities before exceptional items and taxation		**572,542**	316,423
Exceptional item:			
Amounts recovered/(written off) investment properties	7	**275,037**	(1,527,812)
Profit on disposal of shares		**63,835**	-
Amounts recovered/(written off) subsidiary investments		**(70,791)**	-
Tax on profit on ordinary activities	9	**-**	-
Profit/(loss) for the financial year	20	**840,623**	(1,211,389)
Earnings per share (pence)	18	**4.20**	2.32
Earnings per share including exceptional items (pence)	18	**6.16**	-8.88

Turnover and Operating Profit derive wholly from continuing operations.

Statement of Total Recognised Gains and Losses for the Year Ended 30th September 2013

	2013 Total £	2012 Total £
Profit/(loss) for the financial year	**840,623**	(1,211,389)
Foreign currency translation movements	**(54,423)**	95,907
Unrealised surplus on revaluation of properties	**1,967,492**	1,372,769
Total recognised gains and losses relating to the year	**2,753,692**	257,287

The notes on pages 26 to 33 form an integral part of these financial statements.

Financial statements

For the year ended 30th September 2013

Balance sheet

	Note	2013 £	2012 £
Fixed assets			
Intangible fixed assets	10	**39,667**	56,667
Tangible fixed assets	11	**19,621,536**	17,180,641
Investments	12	**4,399,921**	4,234,362
		24,061,124	21,471,670
Current assets			
Debtors	13	**620,443**	721,835
Cash at bank and in hand		**604,366**	361,984
		1,224,809	1,083,819
Creditors: Amounts falling due within one year	14	**(872,663)**	(915,424)
Net current assets		**352,146**	168,395
Total assets less current liabilities		**24,413,270**	21,640,065
Creditors: Amounts falling due after more than one year	15	**(11,453,865)**	(11,150,764)
Net assets		**12,959,405**	10,489,301
Capital and reserves			
Called up share capital	17	**6,820,128**	6,820,128
Share premium account	20	**2,086,262**	2,086,262
Capital redemption reserve	20	**288,251**	288,251
Revaluation reserve	20	**1,682,426**	(285,066)
Other reserves	20	**(53,227)**	25,757
Profit and loss account	20	**2,135,565**	1,553,969
Shareholders' funds	21	**12,959,405**	10,489,301

Approved by the Board on 7th January 2014 and signed on its behalf by:

Susan Ralphs
Company Secretary and Director

The notes on pages 26 to 33 form an integral part of these financial statements.

For the year ended 30th September 2013

Reconciliation of Operating Profit to net cash flow from operating activities

	2013 £	2012 £
Operating Profit	**904,780**	693,977
Depreciation, amortisation and impairment charges	**156,058**	164,858
Decrease/(increase) in debtors	**101,393**	(234,688)
(Decrease)/increase in creditors	**(42,761)**	233,276
(Profit)/loss on disposal of fixed asset investments	**(299,532)**	(5,051)
Dividend waiver reserve - transfer	**1,237**	-
Dividend waiver reserve - other movement	**100**	-
Profit on sale of subsidiary	**(80,321)**	-
Profit and loss reserve - foreign currency translation	**54,423**	95,907
Net cash inflow from operating activities	**686,531**	948,279

Cash flow statement

	2013 £	2012 £
Net cash inflow from operating activities	**686,531**	948,279
Returns on investment and servicing of finance		
Interest received	**48,801**	21,145
Interest paid	**(398,027)**	(398,699)
Dividends received	**16,988**	-
	(332,238)	(377,554)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(337,425)**	(199,755)
Sale of tangible fixed assets	**299,532**	17,199
Profit on disposal of shares	**63,835**	-
	25,942	(182,556)
Acquisitions and disposals		
Acquisition of investments in subsidiary undertakings	**(236,350)**	(2,289,070)
Equity dividends paid	**(204,604)**	(255,411)
Net cash outflow before management of liquid resources and financing	**(60,719)**	(2,156,312)
Financing		
Cash inflow from loans and borrowings	**303,101**	2,128,694
Share issue costs	**-**	2,964
	303,101	2,131,658
Increase/(decrease) in cash	**242,382**	(24,654)

Reconciliation of net cash flow to movement in net debt

	Note	2013 £	2012 £
Increase/(decrease) in cash		**242,382**	(24,654)
Cash inflow from loans		**(303,101)**	(2,128,694)
Change in net debt resulting from cash flows	24	**60,719**	(2,153,348)
Movement in net debt	24	**(60,719)**	(2,153,348)
Net debt at 1 October	24	**(10,788,780)**	(8,635,432)
Net debt at 30 September	24	**(10,849,499)**	(10,788,780)

The notes on pages 26 to 33 form part of these financial statements.

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable accounting standards and the Companies Act 2006.

b) Turnover

Turnover comprises rents, service charges, management fees and consultancy fees receivable by the company, exclusive of Value Added Tax. Turnover in respect of provision of IT hardware is recognised on delivery. Turnover in respect of provision of IT services is recognised either to the extent that the specific work has been completed, or over the period that support is provided.

c) Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year, following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

d) Amortisation

Goodwill is stated at cost less amortisation. Goodwill is amortised on a straight line basis over the depreciation period of the assets to which it predominantly relates.

Asset class	Amortisation method and rate
Goodwill	Over 5 years

e) Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calcuated to write off the cost of fixed assets, less their estimated residual value, on a straight line basis over their expected useful lives as follows:

Asset class	Depreciation method and rate
Furniture, fittings and equipment	3 to 5 years
Computer equipment	4 to 5 years
Plant and machinery	6 to 12 years

f) Investment properties

Investment properties are accounted for in accordance with SSAP 19 and stated at valuation. Any surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, is expected to be permanent, in which case it is recognised in the profit and loss account for the year. When considering whether a fall in value is permanent or not, we will consider the likely change in value over the subsequent five years. No depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run. Although the Companies Act would normally require the systematic depreciation of fixed assets, the Directors believe that the policy of not providing for depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to the current value, are of prime importance rather than a calculation of annual depreciation.

When an investment property is sold, the difference between the most recent valuation reflected in the accounts and the net sale proceeds is shown as profit in the profit and loss account.

g) Investments, associated companies and joint ventures

Investments and holdings in joint ventures are stated at the lower of cost or estimated net realisable value.

Associated companies are those in which the company holds between 20%-50% of the share capital over which it has significant influence but not control. Investments in associated companies are stated at cost less any impairment.

h) Deferred tax

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold; and gains on disposal of fixed assets which will be rolled over into replacement assets. The company discounts deferred tax liabilities and assets to reflect the time value of money. No provision is made for taxation on permanent differences.

i) Foreign currency

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are transferred to reserves.

j) Operating leases agreements

Rentals applicable to operating leases where subsequently all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

k) Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

l) Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

m) Grant aided renovation

The cost of qualifying investment properties enhanced with the benefit of Government Grant Aid is stated at purchase price less grants receivable, upon confirmation of successful application. The company fully intends to comply with the conditions of each grant, thus negating any requirement to provided potential repayment of the grant or interest. When such properties are revalued, then the revalued amount is shown in the financial statements.

n) Employee Benefit Trust

Assets held in the Employee Benefit Trust (EBT) are recognised as that of the company until they invest unconditionally in identified beneficiaries. The company has applied the accounting treatment under Urgent Issues Task Force (UITF abstract 32), which is to record this as a deduction in arriving at shareholders funds. All expenses of the Trust are settled directly by the company and charged in the profit and loss account as incurred.

o) Dividends

Dividends on ordinary shares are treated as a distribution from profit and loss reserves, rather than being treated as a distribution out of the result for the year.

2. Turnover

Turnover is attributable to the letting and managing of property and to the provision of IT services to tenants and others. All arose within the United Kingdom.

3. Operating Profit

	2013 £	2012 £
Operating Profit is stated after charging:		
Auditor's remuneration - The audit of the company's annual accounts	**7,000**	7,000
Depreciation of owned assets	**139,058**	147,858
Profit on disposal of investments	**(299,532)**	5,051
Amortisation	**17,000**	17,000

4. Particulars of employees

The average number of persons employed by the company (including Directors) during the year, analysed by category was as follows:

	2013 No.	2012 No.
Administration staff	**40**	36
Management staff	**4**	4
	44	40

The aggregate payroll costs were as follows:

	2013 £	2012 £
Wages and salaries	**1,191,374**	1,099,635
Social security costs	**119,222**	107,965
Staff pensions	**69,174**	68,122
	1,379,770	1,275,722

5. Directors' remuneration

The Directors' remuneration for the year was as follows:

	2013 £	2012 £
Remuneration	**64,903**	76,463
Company contributions paid to money purchase schemes	**4,543**	5,224

During the year salaries were being paid, and retirement benefits in respect of a money purchase pension scheme were accruing, to 1 (2012:2) Director.

In addition to the above remuneration, fees of £20,610 (2012: £19,500) were paid to Non-executive Directors

6. Other interest receivable and similar income

	2013 £	2012 £
Bank interest receivable	11	1,256
Other interest receivable	48,790	19,889
	48,801	21,145

7. Amounts recovered/(written off) investment properties

During the year there was a write back of £275,037 on the permanent diminution written off in previous years on investment properties.

8. Interest payable and similar charges

	2013 £	2012 £
Interest on bank borrowings	**398,027**	398,699
	398,027	398,699

9. Taxation

	2013 £	2012 £
Tax on profit on ordinary activities	**0**	0

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23% (2012 - 26%).

The differences are reconciled below:

	2013 £	2012 £
Profit on ordinary activities before taxation	**572,542**	316,423
Corporation tax at standard rate	**131,685**	82,270
Capital allowances for the year	**(130,237)**	(71,113)
Effect of capital gain	**299,553**	-
Expenses carried forward for tax purposes	**(318,474)**	(28,440)
Total current tax	**(17,473)**	(17,283)

10. Intangible fixed assets

	Goodwill £
Cost	
At 1 October 2012	85,000
At 30 September 2013	85,000
Amortisation	
At 1 October 2012	28,333
Charge for the year	17,000
At 30 September 2013	45,333
Net book value	
At 30 September 2013	39,667
At 30 September 2012	56,667

Goodwill relates to the purchase of intangible fixed assets on the formation of Ethical IT LLP.

11. Tangible fixed assets

	Investment properties £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 October 2012	16,653,249	690,034	675,953	18,019,236
Revaluation	1,967,491	-	-	1,967,491
Additions	116,677	128,929	91,819	337,425
At 30 September 2012	18,737,417	818,963	767,772	20,324,152
Depreciation				
At 1 October 2012	-	305,616	532,979	838,595
Charge for the year	-	75,973	63,085	139,058
Write back to recoverable amount	(275,037)	-	-	(275,037)
At 30 September 2013	(275,037)	381,589	596,064	702,616
Net book value				
At 30 September 2013	19,012,454	437,374	171,708	19,621,536
At 30 September 2012	16,653,249	384,418	142,974	17,180,641

During the year GVA Grimleys Chartered Surveyors, independent valuers, revalued all properties.

Included within investment properties are investment properties in the course of development £210,579 (2012: £179,637)

	2013 £	2012 £
The historical cost of investment properties	**21,121,506**	21,004,829
Value of long leasehold properties included within investment properties	**3,628,088**	3,523,507
Historical cost of long leasehold properties	**2,659,571**	2,659,571

The company received no grants during the year or the prior year. The value of total grants received as at 30th September 2013 is £824,056 (2012: £824,056).

Finance costs have been capitalised as follows:

	2013 £	2012 £
Finance costs included within additions in the year	**10,554**	10,192
Aggregate amount of finance costs capitalised at the year end	**307,296**	296,742
Rate used for capitalisation of finance costs	**3.5 %**	3.5%

12. Investments held as fixed assets

	2013 £	2012 £
Shares in group undertakings and participating interests	**4,399,921**	4,234,362

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 October 2012	**4,234,362**	4,234,362
Additions	**236,350**	236,350
At 30 September 2013	**4,470,712**	4,470,712
Provision for impairment		
Charge for the year	**70,791**	70,791
Net book value		
At 30 September 2013	**4,399,921**	4,399,921
At 30 September 2012	**4,234,362**	4,234,362

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Joint ventures			
Ethical IT LLP	n/a	50%	IT solutions for organisations
Social Justice and Human Rights Centres Limited	Ordinary	40.7%	Letting and management of property
Associates			
EPE	Ordinary	39%	Letting and managing of property

The profit for the financial period of Ethical IT LLP was £73,921 and the aggregate amount of capital and reserves at the end of the period was £194,795.

The profit for the financial period of Ethical Property Europe was £70,295 and the aggregate amount of capital and reserves at the end of the period was £4,503,667.

Ethical Property Netherlands

The investment in Ethical Property Netherlands represents 50.7% of the total share capital of this company. Ethical Property Netherlands has not been consolidated into these financial statements on the grounds of immateriality. This investment has been written down to nil.

Social Justice and Human Rights Centre Limited

Included within investments is a loan of £800,000 (2012; £575,000), the terms of the loan are interest only over five years at 6.25% per annum.

13. Debtors

	2013 £	2012 £
Trade debtors	**239,200**	331,217
Other debtors	**10,052**	8,904
Prepayments and accrued income	**371,191**	381,714
	620,443	721,835

14. Creditors: Amounts falling due within one year

	2013 £	2012 £
Trade creditors	**308,337**	175,380
Other taxes and social security	**145,844**	157,072
Other creditors	**418,482**	582,972
	872,663	915,424

15. Creditors: Amounts falling due after more than one year

	2013 £	2012 £
Bank loans	**11,453,865**	11,150,764

The bank loans to the company are secured by a charge over certain of the properties of the company. The company has a loan agreement with Triodos Bank NV. The current agreement expires in October 2016. The loans were taken out to finance the purchase of property.

The rates of interest applicable on the loans as at the year end are as follows:

Revolving credit agreement	1% above Bank of England base rate subject to a minimum rate of 3.5 %
Sterling fixed loan	3.98%
Euro denominated loan	1.1% above European central bank rate
First euro fixed interest loan	3.85%
Second euro fixed interest loan	3.5%

16. Deferred taxation

Deferred tax provided and unprovided for in the financial statements is set out below: unprovided deferred tax would crystallise on the sale of assets at their balance sheet value.

	2013 £	2012 £
Provided for:		
Unrealised capital gains	**-**	-
Taxable expenses carried forward	**-**	-
	-	-
Unprovided for:		
Liability in respect of unrealised capital gains	**(336,122)**	(260,178)
Asset in respect of unrealised capital losses	**2,083,379**	2,392,623
Asset in respect of taxable expenses carried forward	**(27,240)**	67,668
Net unprovided asset	**1,720,017**	2,200,113

A deferred tax asset has not been included in the accounts in respect of the revaluation losses as the company does not intend to sell the assets.

17. Share capital

Allotted, called up and fully paid shares

	2013 No.	2013 £	2012 No.	2012 £
Ordinary shares of £0.50 each	**13,640,255**	6,820,128	13,640,255	6,820,128

18. Dividends

	2013 £	2012 £
Dividends paid		
Prior year final dividend paid	**204,604**	255,411

During the year dividends totalling £13,356 (2012: £17,394) were waived.

In April 2013 the Directors declared a dividend of 1.5 pence per share payable in that month and included in these financial statements.

19. Earnings per share

The calculation of the basic and diluted earnings per share is based on earnings of £572,542 (2012: £316,423) and on 13,640,256 (2012: 13,640,256) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The calculation of the basic and diluted earnings per share after accounting for exceptional items is based on profits of £840,623 and on 13,640,256 ordinary shares, being the weighted average number of ordinary shares in issue during the year.

20. Reserves

	Share premium account £	Capital redemption reserve £	Revaluation reserve £	ESOP reserve £	Dividend waiver reserve £	Profit on sale of subsidiary	Profit and loss account £	Total £
At 1 October 2012	2,086,262	288,251	(285,066)	(54,928)	364	80,321	1,553,969	3,669,173
Profit for the year	-	-	-	-	-	-	840,623	840,623
Dividends	-	-	-	-	-	-	(204,604)	(204,604)
Surplus on property revaluation	-	-	1,967,492	-	-	-	-	1,967,492
Foreign currency translation losses	-	-	-	-	-	-	(54,423)	1,967,492
Other reserve movements	-	-	-	-	1,337	(80,321)	-	(78,984)
At 30 September 2013	2,086,262	288,251	1,682,426	(54,928)	1,701	-	2,135,565	6,139,277

21. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Profit/(loss) attributable to the members of the company	**840,623**	(1,211,389)
Other recognised gains and losses relating to the year	**1,914,406**	1,468,676
Dividends	**(204,604)**	(255,411)
Other share premium reserve movements	**-**	2,964
Other reserve movements	**(80,321)**	-
Net addition to shareholders' funds	**2,470,104**	4,840
Shareholders' funds at 1 October	**10,489,301**	10,484,461
Shareholders' funds at 30 September	**12,959,405**	10,489,301

22. Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £69,174 (2012 - £68,122).

Contributions totalling £22,066 (2012: £20,058) were payable to the fund at the balance sheet date and are included in other creditors.

23. Commitments

Operating lease commitments

As at 30th September 2013 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2013 £	2012 £
Other	**3,132**	-
Within one year	**11,248**	12,920
Within two and five years	**14,380**	12,920

24. Analysis of net debt

	At 1 October 2012 £	Cashflow £	At 30 September 2013 £
Cash at bank and in hand	361,984	242,382	**604,366**
Debt due after more than one year	(11,150,764)	(303,101)	**(11,453,865)**
Net debt	(10,788,780)	(60,719)	**(10,849,499)**

25. Related party transactions

Other related party transactions

During the year the company made the following related party transactions:

Paul Bellack
(A Director and shareholder of the company)

During the year, the company paid £Nil (2012: £1,282) to a partnership of which Paul Bellack is a partner. This was reimbursement of the company's share of the insurance costs of Green Fish Resource Centre, a property on which the company owns a long leasehold and in which Paul Bellack has a freehold interest. The transactions were carried out in the normal course of business. At the balance sheet date the amount due to Paul Bellack was £891 (2012 - £891).

Ethical IT LLP
(Joint venture (50/50) Limited Liability Partnership with Joint Application Development Enterprises Limited)

During the year, the company received purchase invoices from Ethical IT LLP amounting to £123,588 plus VAT (2012: £115,897 plus VAT) for IT services. The company raised invoices to Ethical IT LLP during the year amounting to £54,525 plus VAT (2012: £20,709 plus VAT) for management fees and £30,152 plus VAT (2012: £25,233 plus VAT) for rent and related services. The amount owed by Ethical Property Limited to Ethical IT LLP at the end of the year was £781 (2012: £27,730). The transactions were carried out in the normal course of business. At the balance sheet date the amount due from Ethical IT LLP was £7,471 (2012 - £34,806).

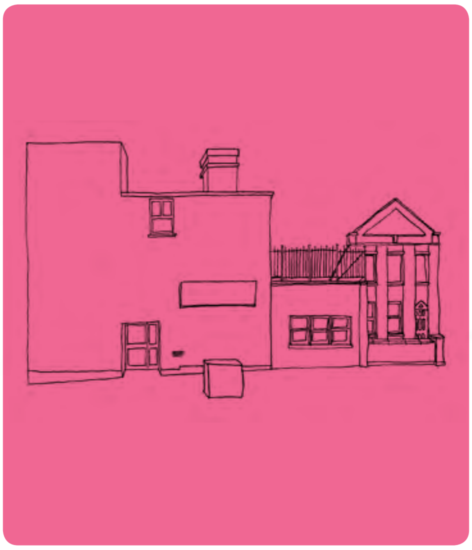
The Social Justice and Human Rights Centre Limited
(Joint venture with Trust For London, Barrow Cadbury, The Joseph Rowntree Charitable Trust and Lankelly Chase)

The Ethical Property Company manages the company and all the transactions going through, including payment of management fees. At the year end the company's investment in the share capital of Social Justice and Human Rights Centre Limited was £1,699,500 (2012: £1,699,500). In addition, at the end of the year, the balance of the loan made to Social Justice and Human Rights Limited was £800,000 (2012: £575,000); interest of £48,790 (2012: £19,889) was received in respect of the loan. The terms of the loan are interest only over five years at 6.25% per annum. The loan is secured by a legal charge over the freehold interest in the building. At the balance sheet date the amount due to The Social Justice and Human Rights Centre Limited was £nil (2012 - £nil).

26. Control

There is no overall controlling shareholder.

London and the South East

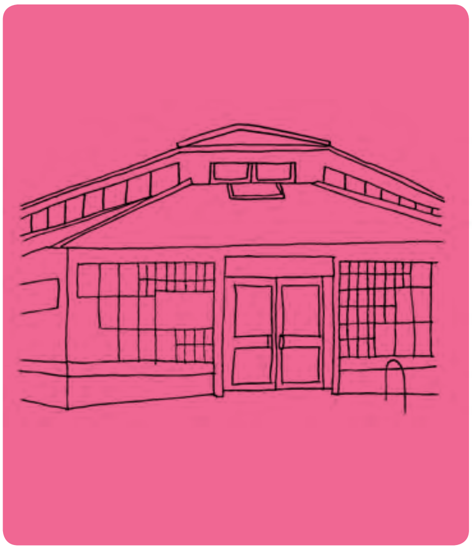


Archway Resource Centre, London

Brighton Eco-centre, Brighton

Brighton Junction, Brighton

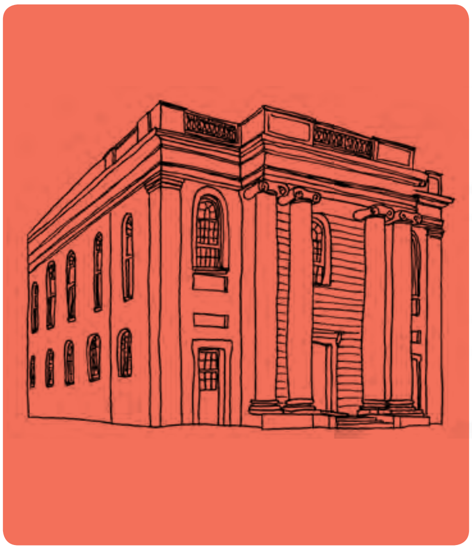
Development House, London



Durham Road Resource Centre, London

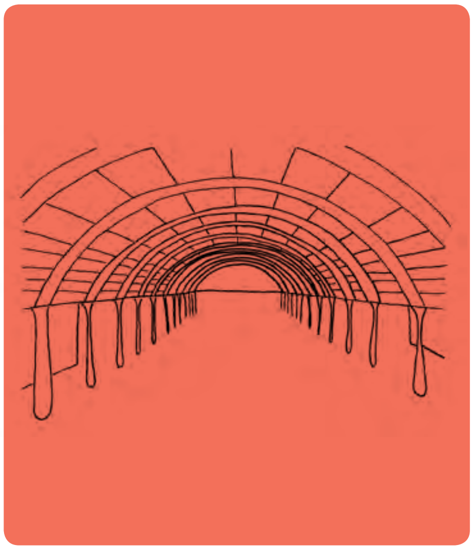
The Grayston Centre, London

The South West



Brunswick Court, Bristol

Colston Street Centre, Bristol



Green Park Station, Bath

The South West

Picton Street Centre, Bristol

Oxford and the Midlands

The Old Music Hall, Oxford

Scotland

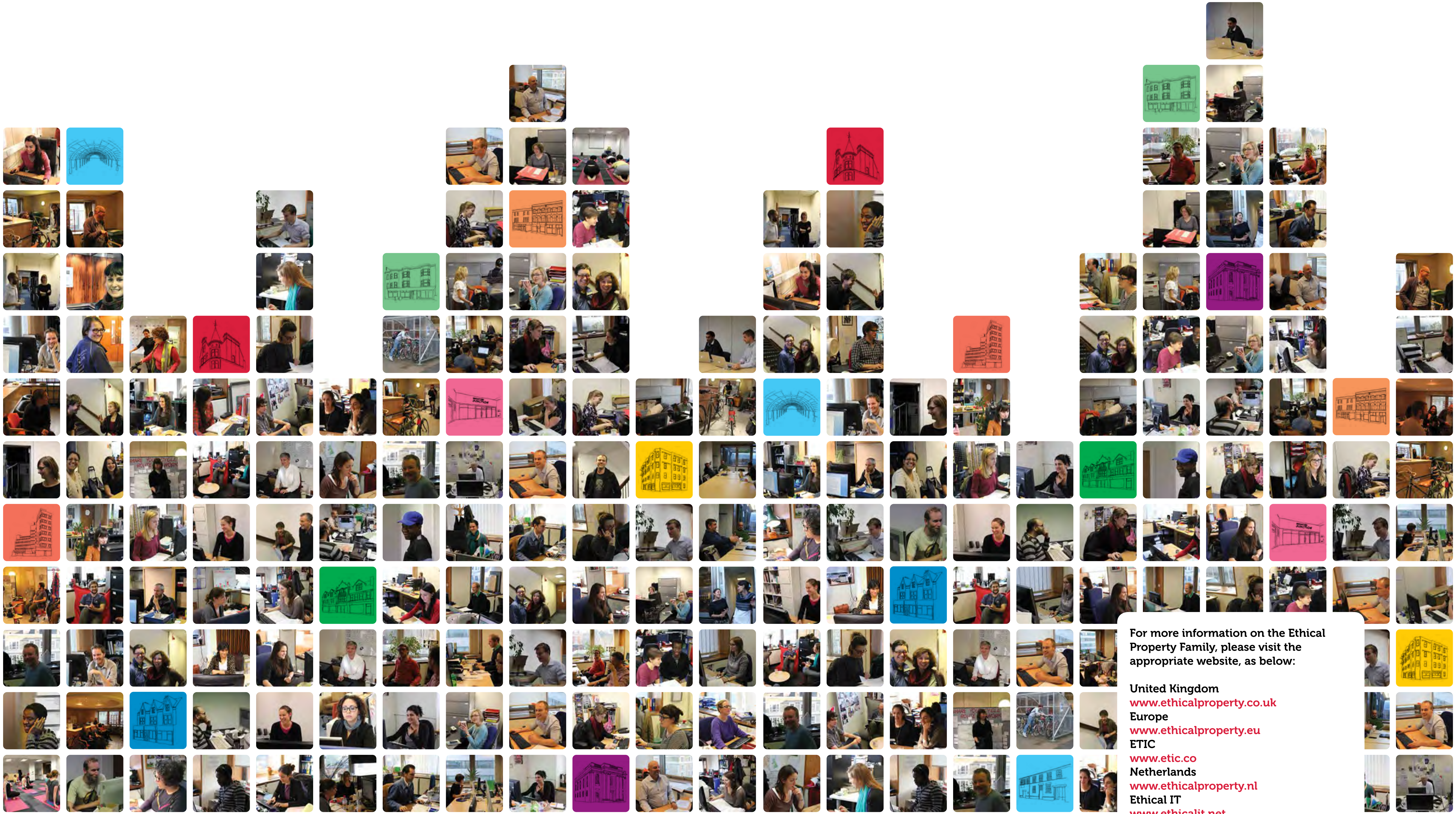
Thorn House, Edinburgh

South Pennines

Green Fish Resource Centre, Manchester

Roundhay Road Resource Centre, Leeds

Scotia Works, Sheffield



For more information on the Ethical Property Family, please visit the appropriate website, as below:

United Kingdom
www.ethicalproperty.co.uk
Europe
www.ethicalproperty.eu
ETIC
www.etic.co
Netherlands
www.ethicalproperty.nl
Ethical IT
www.ethicalit.net
The Ethical Property Foundation
www.ethicalproperty.org.uk

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