



*ethical*  
**PROPERTY**  
INVESTING IN  
SOCIAL CHANGE

---

**Annual  
Report  
14/15**



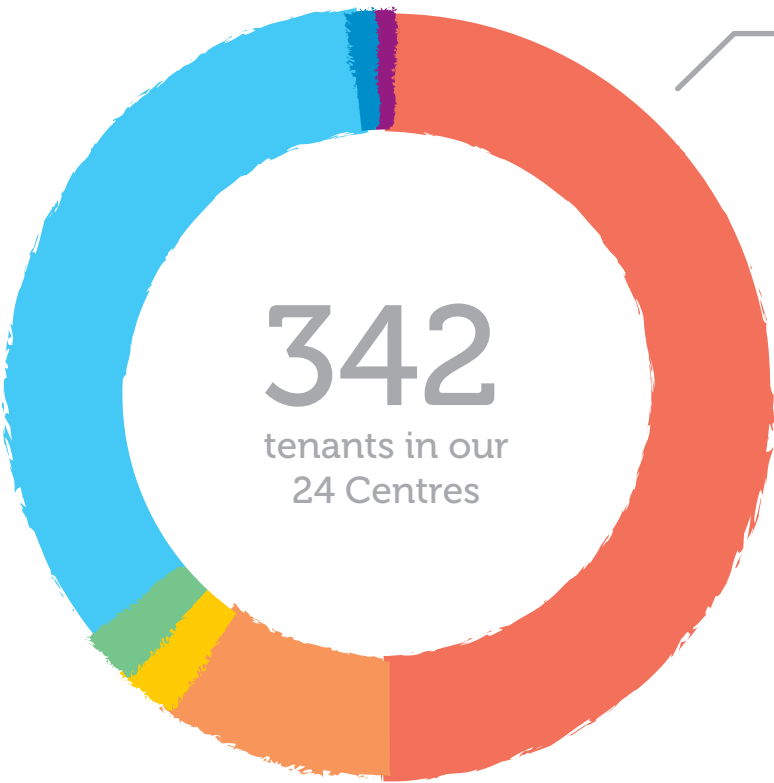
# Our Centres



# Contents

Introduction	1	Operations Report	9	Dividend Waiver	15
Managing Director's report	2	Social & Environmental Performance	10	Financial Performance	16
Property Development	4	Social And Environmental Audit	12	Financial statements	18
Our tenants	6	The Ethical Property Family	13		





Types of tenant organisation

- Charity – 171
- Other not-for-profit – 34
- Public body – 7
- Community Interest Company – 7
- Trading organisation – 118
- Political party – 3
- Trade Union – 2

4.8:1

We are proud of our pay ratio between the highest and lowest paid members of staff

£

Operating profit:  
£736,436 ↑6%

Net Asset Value:  
163p ↑27%



All but two of our Centres are now on a 100% renewable electricity tariff from specialist green electricity companies

**21,700m<sup>2</sup>**

**234,000ft<sup>2</sup>**

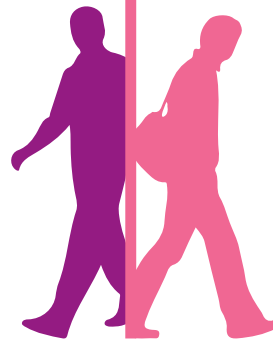
The amount of workspace  
in our 24 Centres at the  
end of September 2015

**95.8%**

average occupancy in  
our 17 owned buildings

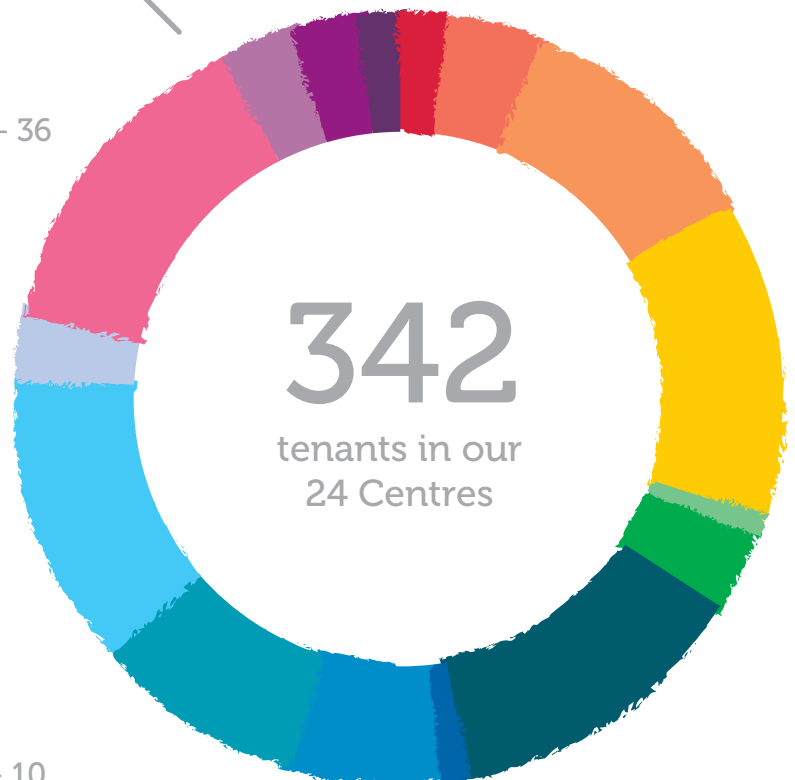
**51 in** | **46 out**

Although **46 tenants moved out** of our 17 owned Centres over the last year, **51 new organisations moved in**



## Our tenants' area of work

- Civil rights – 6
- Community arts – 15
- Community development in the UK – 36
- Environment – 46
- Ethical finance – 2
- Global justice – 12
- Health – 45
- Homelessness – 3
- Human rights – 23
- International development – 30
- Local business – 42
- Mainstream business – 9
- Organisational support – 48
- Peace and conflict resolution – 10
- Refugee and ethnic minority issues – 10
- Women's rights – 5



# Chair's statement



The Foundry, London

**Welcome to our 2014/15 Annual Report. I am very pleased to report that The Ethical Property Company has had another successful year, building upon its strong performance last year and continuing to tackle the challenges we have reported previously.**

Performance has been strong. The increasing efficiency and effectiveness of the staff team helped tenants counter the impact of austerity on their work; and yielded a 6% increase in operating profit. This performance continues to address the concerns about the level of financial returns to shareholders and is the main reason that we are able to pay a dividend once again.

In terms of our Social Performance, we continue to increase the number of organisations we work with and 80% of them believe being in one of our buildings supports their strategic objectives. Environmentally, we are less satisfied with our performance – we remain committed to selling some of our poorest performing buildings and replacing them with centres that will allow us to improve our overall environmental impact.

We have responded to the challenge of the liquidity and price of shares. We have invested in our profile and completed a buy-back of some shares; and we are reviewing markets for shares. Although the Share Issue that closed at the end of 2015 did not raise as much as we had hoped, it helped raise profile and stimulate liquidity to the point where much of the overhang of shares for sale has been removed. We continue to act on this, as reported elsewhere.

Our activity in terms of raising funds and liquidity has also stimulated interest from potential investors and we are exploring this with them. Investment is needed to fund our plans for accelerating growth where much progress has been made. The award-winning Foundry is full; we have acquired our first property in Wales; and we have moved towards replacing Development House in London with a bigger and better property. We anticipate completing this move in 2017.

These are considerable achievements and support our plans for growth. What I said last year bears repeating – that the Board remains committed to achieving growth for our shareholders while maintaining our commitment to the Quintessentials that are the foundation for our work: The Triple Bottom Line, Ethical Client Criteria, Ethical Management, Ethical Governance and Transparent Reporting.

**John Whitaker**  
**Chair**  
The Ethical Property Company

# Managing Director's report

## Highlights

**Strong financial and social performance • Plans for new flagship London building to replace Development House • High levels of staff satisfaction • Five year strategy now in place • Strong progress made by Ethical Property Family organisations**

### Summary of year

**I'm delighted to report that 2014/15 was a very successful year for The Ethical Property Company in terms of our properties, our performance and our continued growth.**

Having opened The Foundry in 2014, our largest building to-date is now full and monthly conference bookings continue to increase. As well as its operational success, wider recognition has followed as it was named London Building of the Year by the Royal Institute of British Architects.

As planned, we have now purchased our first building in Cardiff, and hope this will be a stepping stone to more activity in Wales. In the South West, we have taken over the management of St Pauls Learning Centre in Bristol, in an innovative arrangement with the local authority.

Having managed Brighton Community Base successfully for 3 years, their Board have now taken back management of the Centre from us.

We have made good progress with our plans to sell Development House and are preparing to market the building.

Importantly, we have seen an overall improvement in our tenants' satisfaction and 80% of respondents to our annual Tenant Survey say that being in our buildings had a positive impact on their strategic objectives.

Environmentally, we are very conscious that our performance requires improvement. The efficiency of the buildings in our portfolio is one of the key drivers in the decisions we make with regard to disposing of and purchasing new properties; and we expect to see improvement in overall environmental performance as a result of the sales of Archway and Development House over the next 12 months. Positively however, 15 of our 17 owned buildings are now on

100% renewable electricity tariffs, and we are satisfied that 95% of all our business travel is undertaken on public transport. Our occupancy levels remain extremely high at almost 96% which is indicative of the quality and affordability of the space we are offering to the sector.

### People

These achievements have only been possible because of the hard work of our Board and staff team who have demonstrated an unwavering commitment to the Company and our objectives. It is a real pleasure to work with such a dedicated group of people – indeed the Staff Survey which we carry out each year show that 98% of staff would recommend working at Ethical Property (see page 11).

### Financial Performance

Last year our operating profit increased by 6%, which means that over two years we have seen a 22% improvement. This is in line with the Company's strategy to achieve increased profitability, creating a strong platform for growth and enabling a higher return to shareholders.

The value of our property portfolio rose by 17%, with uplifts in all areas of the country but most notably in London. This increased valuation underpins the 27% increase in Net Asset Value per share to 163 pence.

### Share Issue

In September we launched a Share Issue, which ultimately raised £1.75m from both new and existing shareholders. Although this is less than we had hoped for, the process has had two major benefits in addition to the amount raised. Firstly it led to much more trading on the secondary market, as a result of the higher profile around the issue, and secondly it stimulated interest from some larger impact funds who are looking at longer term investment in the Company (see page 16).

### Liquidity

Last year we agreed to focus on improving liquidity in our shares. As a result we concentrated on three areas of activity in an attempt to boost the numbers of investors wanting to buy our shares:

- A Buy-Back of our shares
- Increased communications with investors
- Researching alternative trading platforms.

Following the AGM we bought back 485,392 shares from investors, at a price of 80 pence. The Buy-Back was popular with shareholders, and the Company will consider doing this again on a smaller scale in the future.

We also employed a PR consultant to raise the profile of the Company, particularly around the Share Issue. As already mentioned, the Share Issue did generate a lot of interest in the Company, and this had a knock-on effect on the secondary market.

We have subsequently been looking at the secondary market and whether there are alternative platforms that might offer us better liquidity. We are not proposing a change in the short term, but it may become more relevant as we seek to grow.

Overall, these actions have had a significant impact on the liquidity, but we recognise that more can still be done and that this issue needs constant review and attention.

### Looking forward

We have now developed a new five year strategy which was approved by the Board in September. Given the growing demand for our services our aim is to at least double our available workspace by 2020. In order to achieve this we have identified four key objectives:

1. Develop projects that increase our positive social, financial and environmental impacts



Images: **Top** The Foundry, London  
**Bottom** Brunswick Court, Bristol

2. Raise sufficient capital in order to fund our projects and to increase the opportunity for social impact investment
3. Raise our profile with investors, social change organisations and potential partners
4. Develop an organisation that will enable us to double in size and improve our Triple Bottom Line performance.

Key to our growth is the need to raise capital. In the medium term we may decide to become a public Company and list on a recognised stock exchange. This would support the Company in raising more capital, as well as improving liquidity.

One of the most exciting things we expect to happen in 2016 is the replacement of Development House, our largest owned building, with an intentionally designed, greener and larger building. We have exchanged contracts on a site in East London and I'm delighted that the Development House tenants, who all know about our plans, are excited by the prospect of a new building (see page 4).

#### Ethical Property Family

In April Etic opened its first owned Centre, situated in Montreuil, Paris – a 20,400ft<sup>2</sup>/1,900m<sup>2</sup> building which is already completely full. There are also plans for Ethical Property Europe to develop a new Centre in Antwerp following a successful Share Issue. In Australia, a property fund has been created to buy buildings which will be developed under contract by Ethical Property Australia and then managed by them. This is an interesting development, as it's a totally different funding structure than elsewhere in the Family (see page 13).

I hope you find this Annual Report interesting and that it gives you a real flavour of the achievements we have made this year and the direction of our growth. Each year we support more and more organisations, but we are still only meeting the needs of a small fraction of the charities, social enterprises and social business established in the UK. With your continued support we can grow at a faster pace and better meet the needs of these organisations, but even more importantly, benefit the 100,000's of people dependent upon them.



**Susan Ralphs**  
Managing Director



**" The Old Music Hall is the perfect place for an organisation like ours to grow. It is in a vibrant part of Oxford with great opportunities for networking with like-minded organisations. The Ethical Property staff are very friendly and help us wherever they can. "**

**Bruce Howard, Ecosystems Knowledge Network,  
The Old Music Hall, Oxford**



# Property Development

## Highlights

**Three new properties secured • Long term aim to double workspace in five years • Plans in place to sell Development House • Additional plans to grow in Bristol and the North West**

**Our owned and managed property portfolio grew significantly in 2014/15, taking on three new projects – two in Cardiff and one in Bristol. At the same time, we made good progress with our plans to acquire further space across the United Kingdom.**

In July 2015 we took over the management of the Cardiff Quaker Meeting House, where we are working to ensure the building is well managed while improving the ways in which its space is used.

In August 2015 we successfully purchased a new Centre in Cardiff, acquiring Hastings House on the fringe of the city centre. The building comprises 12,800ft<sup>2</sup>/1,200m<sup>2</sup> of office accommodation and is situated in an excellent location with good public transport links and amenities. After some minor refurbishment, the building will house some of the city's most exciting charities and social enterprises, that together with the Quaker Meeting House, will form part of our strategy to create 'clusters of activity' which offer greater economies of scale and more efficient management arrangements.

The last year also saw further expansion of our portfolio in Bristol. In May 2015 we acquired a 15-year leasehold interest of the St Pauls Learning Centre. The Centre is an important community resource providing facilities for learning, education and cultural activities; and includes a diverse range of spaces including classrooms, meeting and event space, cafe, crèche, art rooms and a library. It was under threat of closure due to the recent Government cuts, but under our stewardship we are confident that we can help to create a self-sustaining asset which can serve the community for many years to come.

Our aim over the next five years is to double the amount of workspace we provide. We have been working on plans to secure new management contracts; recycle existing buildings where we feel there is the potential to increase our social, environmental and financial returns by doing so; and identifying new investment opportunities that can increase our impact.

We are currently progressing plans to dispose of Development House in Old Street, London – an area which has seen significant growth in capital and rental values. The building requires extensive investment in order to improve its environmental performance; the site also offers significant redevelopment opportunities. We don't believe it is viable for us to redevelop the site due to the scale of investment required, and the resultant impact on our tenants.

As a result we have made the decision to sell Development House on a short term lease-back arrangement. This will allow us to use these funds to acquire a larger building in a city fringe location that can support more tenants, generate greater rental income and perform to a higher environmental standard. On this basis, we have now exchanged contracts on a new building in East London which we plan to redevelop as the new home for existing Development House tenants. In addition, the increased space will enable us to better meet the needs of the growing number of organisations who are seeking to move into Ethical Property space in London.

As well as expanding our workspace in London we are also in the process of developing further projects in Bristol, Cardiff and the North West of England in order to respond to demand, to create more robust management teams and achieve greater economies of scale.

In Bristol we have seen a significant rise in demand: this is due to a number of factors including the loss of commercial space to residential developments, rising office rents and inward-migration of individuals and groups from London.

We are also focusing on plans to expand in Manchester, currently home to one Ethical Property Centre. Manchester is benefiting from plans to develop a 'Northern powerhouse' with significant inward investment and increased devolution.

In Cardiff we are looking to continue the momentum created by our purchase of Hastings House and our management of the Cardiff Quaker Meeting House, to create a larger cluster. Cardiff is home to many regional and national charities and is also set to benefit from new high speed train links to London and southern England.

In each region we are exploring various options for expansion and we expect to see significant growth over the years to come, in line with our agreed strategic plans, enabling us to support more social change organisations, build a greener portfolio and generate greater financial returns.



Images: **Top** St Pauls Learning Centre, Bristol  
**Bottom** Hastings House, Cardiff



Cardiff Quaker Meeting House



Tenants at Brighton Junction



**“ Scotia Works is a great place to work – visitors comment on what an unusual and interesting building it is and we like it because it has versatile rooms we can book for training and meetings. ”**

**Ruth Dawson, CRESST, Scotia Works, Sheffield**



# Our tenants

As of 30th September 2015, our 17 Owned Centres across the UK provided workspace to 279 tenants, 59% of which were charities or not-for-profits, with the remainder providing consultancy, support and other services to social and environmental organisations. 2014/15 saw the purchase of Hastings House in Cardiff and a reduction in the size of our Archway Centre. Although we no longer manage Brighton Community Base, we have taken on Property Management responsibilities at Cardiff Quaker Meeting House. For more details on our Managed Centres, please see page 8.

Details of both our Owned and Managed Centres can be found on the following pages, with further analysis available in our Supplement document. Alternatively please visit [www.ethicalproperty.co.uk/ourtenants](http://www.ethicalproperty.co.uk/ourtenants).

## Owned Centres

### London and the South East

#### Archway Resource Centre, London

Community Network • Everyman Project • Lively Minds • Peace Brigades UK • Small Steps Project Limited • Suitcase Media CIC • The Association of Visitors to Immigration Detainees (AVID) • The Conscience Campaign Limited

#### Brighton Eco-centre, Brighton

A Partner in Education • Aptivate • Arka Original Funerals Limited • Brighton & Hove Green Party • Brighton Peace and Environment Centre • Deborah Morley • Friends of the Earth Limited • Grow Mindfulness CIC • Harmony in the Community • Low Carbon Trust • Pilot Fundraising Consultants Limited • Re-Cycle • The Kaloko Trust U.K.

#### Brighton Junction, Brighton

AbilityNet • Ben Hillman Interior Design • BioRegional Development Group • BITVU Limited • Blend Creative Consultancy Ltd • Brighton Botanical Limited • Catherine Aicken • Emily Kearns • eTool Global UK Ltd • Firefly Solutions • Friends Centre • Green Koru Ltd • Hilary Burt • Internship in Brighton Ltd • Katie Parker • Kindle Research Limited • Moritz Schick • Naked Translations Limited • NVisage Ltd • OriginsTM and Really Wild Bushcraft • Oxford Consultants for Social Inclusion Limited • Pure Natural Products Limited • Puree Design Limited • Recursive Media • Richard Borkum Ltd • Shelley Warren • Sustain Futures Limited • The Actors of Dionysus • Viva Brighton Magazine

#### Brighton Open Market – Workshops, Brighton

Alison McGeachie Artist Maker • Autism Sussex Training Limited • Chilli Gems • Daubs the Artpothecary • Eve Claire Taylor • Love The Rock Tattoo • Oh! Studio • Partially Obscured • Pear Shaped Apparel Limited • Ricci Masero • Sew Fabulous Community Interest Company • Woody

#### Development House, London

A.C.O.R.D (Agency for Co-operation and Research in Development) • Afghanaid • Asian Foundation for Philanthropy • Asian People's Disability Alliance Limited • AVA (Against Violence and Abuse) • Childhope (UK) • Children of The Andes • Consortium for Street Children • Ethical IT • Global Greengrants Fund UK • Global Partners Governance Practice Limited • Grassroot Soccer (UK) • Green Net Limited • International Senior Lawyers Project-UK • Keep Britain Tidy • Malaria Consortium • Oxford Research Group • Pan African Development Education and Advocacy Programme (PADEAP) • Peace Brigades International • Peace Direct • Pragya Limited • Pump Aid • Relief International-UK • Respect • Stakeholder Democracy Network • SUDO (UK) • Sustain: The Alliance for Better Food & Farming (Development House) • The Ethical Property Foundation • The Green Party • The Resource Alliance • The Verification Research Training and Information Centre (VERTIC) • Wikimedia UK • Womankind (Worldwide)

#### Durham Road Resource Centre, London

Alzheimer's Society • Blenheim CDP • Jeremy Corbyn • Medical Justice Network Ltd • Nicaragua Solidarity Campaign • Stop the War Coalition • TAPOL

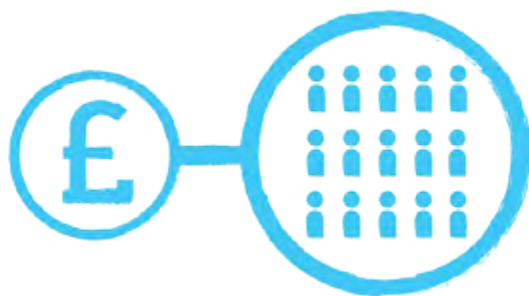
#### The Grayston Centre, London

Action for Community & Environment (ACE) • Alternatives to Violence Project, Britain • China Dialogue Trust • Free Tibet • Jubilee Debt Campaign • London Community Resource Network • Medact • Rainbow Trust Children's Charity • Saferworld • Sri Lanka Campaign for Peace and Justice Ltd • Stopaids • Street Child World Cup • Talk Action • The Burma Campaign UK • The Foundation for Social Improvement (FSI)

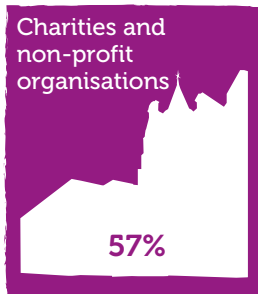
For a more detailed analysis of our performance please see our supplement document, available at [www.ethicalproperty.co.uk/annualreports](http://www.ethicalproperty.co.uk/annualreports). To request a printed version, please call 01865 207 810 or email [info@ethicalproperty.co.uk](mailto:info@ethicalproperty.co.uk).



# Our tenants



100% of Tenant Survey respondents felt that our charges represent value for money



## Oxford and the Midlands

### The Old Music Hall, Oxford

Archetype Design Limited • Chauncy Maples Malawi Trust • Climate Outreach Information Network • Community Glue CIC • Domains.coop Limited • Ecosystems Knowledge Network • Ethex Investment Club Ltd • Free West Papua • Global Call for Climate Action • Infusion Food & Drink • InsightShare • Institute for Food, Brain and Behaviour • Joju Solar • Linguavote Limited • Medicine Africa Ltd • Mokoro Limited • Network for Clean Air • New Internationalist • NSolve Limited • Oxford Counselling Centre Limited • Oxford English Exam School • Oxford Human Resource Consultants Limited • Oxford International Language School • Parecco Limited • Reading Quest • Refugee Resource • S.O.S. Sahel International U.K. • Seeds for Change – Oxford Collective Ltd. • Sahel Consulting • Sustrans Limited • The Partnering Initiative • Tracks Investigations Limited • We Own It Limited

## The South West

### Brunswick Court, Bristol

African Initiatives Ltd • Bristol Drugs Project Limited • Bristol Women's Voice • Clinks • Developing Health and Independence • Industrial Common-Ownership Finance Limited • International Development Network (IDN) • Institute of Chartered Foresters • Mifumi UK • Molly Scott-Cato • National Playbus Association • Oxfam (Brunswick Court, Bristol) • Redweather Productions Ltd • The Empowerment Network UK • The Factory • Third Sector Systems Ltd • Tree Aid • Womankind Bristol Women's Therapy Centre • Women's Aid Federation of England

### Colston Street Centre, Bristol

Alliance of Religions and Conservation • Bikeworkshop Ltd • Blaze Studio Ltd • Chesapeake Studio Limited • Dr Niklas Serning • Grass Roots Planning Limited • Humanistic Psychotherapy and Counselling • Intrigue • Jonathan McNaught • Mothers for Mothers • Sally Dove, Makers • Snowline Productions Limited • Streets Alive Limited • Sue Ryall • Susy Rudkin Counselling • The Bristol Therapist • The Pituitary Foundation

### Green Park Station Market, Bath

The Bath Farmers' Market Limited • The Chilli Hut • The Painted Flowers • Tunley Farm Butchers Limited

### Green Park Station Shops, Bath

Beyond the Kale Limited • Eco-logic Books • Farrelly Atkinson (F-At) Limited • Framecraft Bath Ltd • Future Publishing Limited • Green Park Bike Station Limited • Green Park Brasserie • Green Park Express • Green Park Leather and Luggage • Hacketts Hair • Music Workshop • The Manning Partnership Ltd

### Green Park Station, South Vaults, Bath

Black Families Education Support Group • Factory Jackson Limited • Futureproof Digital Media Limited • Melrose Computing Solutions Limited • Move Forward C.I.C. • PropertECO Ltd • Second Step Housing Association Limited • St Mungo Community Housing Association • The Care Forum • Valentine Morby Associates

### Picton Street Centre, Bristol

Blue Ventures Conservation • Chapter 1 Charity Ltd • Sustco • Bristol Community Accountants • Friends of the Earth Limited • Green Play Project Limited • LMP Therapies • Mental Health Matters • Ruston Planning • User Voice • Yogasara C.I.C.

### St Pauls Learning Centre, Bristol

Bristol City Council (Inner City Health Team) • Bristol City Council (Learning and Communities Team) • Bristol City Council (Library Services) • Bristol Disability Equality Forum • Havoyoco (UK) Limited • Sustrans Limited

# Our tenants

## South Pennines

### Green Fish Resource Centre, Manchester

Bliss – The National Charity for the Newborn • Community Arts North West Ltd. • Eritrean Community Association in Greater Manchester • Friends of the Earth Limited • Furniture Re-Use Network • Locality Limited • Manchester Friends of the Earth • Manchester Palestine Action • Oxfam • Pam Wright • Paul Cowham Accountancy • Portraits of Recovery • Radio Regen • Slade & Cooper Limited • The Audience Agency • The Urban Orchard Project Ventures Limited • Web Advertising Limited

### Scotia Works, Sheffield

Conflict Resolution Education in Sheffield Schools Training • Dally Henderson Landscape Architects Limited • Development Education Centre (South Yorkshire) • MESH Community Cohesion Services • Pedal Ready Co-operative Limited • Sheffield Domestic Abuse Outreach Service • Sheffield Methodist District • Sheffield Rape and Sexual Abuse Centre • The Sheena Amos Youth Trust • Walking Women Limited



In the year ending September 2015 we owned 17 properties in 9 cities



279 tenants in our 17 Owned Centres

## Scotland

### Thorn House, Edinburgh

Association of Chief Officers of Scottish Voluntary Organisations • Cancer Research UK • Carplus Trust • Conference of Socialist Economists • Elizabeth Finn Care • Evaluation Support Scotland • Fauna & Flora International • Friends of the Earth (Scotland) Ltd • Global Justice Now Trust • International Voluntary Service • Learning Disability Alliance Scotland • Living Streets (The Pedestrian Association) • Network of International Development Organisations in Scotland • Plan Vivo Foundation • Social Enterprise Academy • Social Enterprise Scotland • Sustainable Inshore Fisheries Trust • The Melting Pot • Transform Scotland Limited • Update Scotland's Disability Consultancy for Information Providers • Voluntary Service Overseas

## Wales

### Hastings House

Fire Brigades Union • The Boundaries Commission

19.2% of our tenants have a turnover of less than

£50,000

## Managed Centres

As of 30th September 2015, our 7 Managed Centres across the UK provided workspace to 63 tenants. For more information please see pages 9–11.

Bath Quaker Meeting House • Brighton Open Market • Cardiff Quaker Meeting House • Resource for London • St Michaels Parish Hall (Bath) • The Unitarian Chapel (Bristol) • The Foundry, London



63 tenants in our 7 Managed Centres

579

additional organisations benefitted from using the conference and meeting facilities within these 7 Centres



# Operations Report

## Highlights

Occupancy levels averaging almost 96% • Three new Centres now in place • 63 organisations now based in our Managed Centres

The growth of our property portfolio in 2014/15 led to a significant increase in activity for our Operations team. The team are now responsible for Hastings House, St Pauls Learning Centre, The Foundry and Brighton Open Market while continuing to improve our existing buildings and the ways in which we support our tenants.

Occupancy levels in our Owned Centres remained high, averaging 95.8%. This was a great achievement as we again dealt with a significant number of moves: 126 in the past year, compared with 169 in 2013/14 and 179 in 2012/13. Of these, 29 were internal moves, demonstrating our ability to help tenants with changing space requirements. Encouragingly, for the second year running the majority of these moves were to larger spaces.

Other highlights included increasing levels of tenant satisfaction, with the majority of tenants indicating that we are competitively priced and delivering the best value service to our tenants and other building users.

Of particular note, and in response to specific feedback, we have upgraded a number of broadband connections in certain Centres where the existing service was deemed unsatisfactory and we have also improved the communal areas in several properties. For more detailed analysis of our tenant satisfaction please see the supplement document, details of which are below.

The results for energy use in our buildings were disappointing. To help address this, and to ensure consistent quality and environmental performance of the products used going forward, we have now developed a 'specification guide' for Property Managers covering key aspects of our maintenance and refurbishment work.

Analysis of the financial performance of individual buildings led us to make the decision this year to sell the Archway Resource Centre in London. This small property provided space for some excellent organisations delivering valuable services. However, its inaccessibility, layout, small size and age made it difficult for the Company to manage. This sale will allow us to re-invest funds into projects that better meet the long terms needs of the Company and the organisations and shareholders we serve.

Alongside our Owned Centres, we have continued to manage a portfolio of properties on behalf of other landlords, providing management services for seven Centres located in Bath, Brighton, Bristol, Cardiff and London. These buildings are owned by a range of like-minded landlords, including individuals, faith-based groups, a Community Interest Company and charitable organisations: comprising in total approximately 8,000m<sup>2</sup>/86,000ft<sup>2</sup> and including office, meeting, conference and community space, as well as a café. Although the Board at Brighton Community Base chose to take back management responsibilities at the Centre in 2015, a further 63 organisations benefited from being tenants within our remaining Managed Centres, while a further 579 organisations made use of the meeting and conference facilities.

We aim to improve further the operational processes and efficiencies in both our Owned and Managed Centres in 2015/16, while putting processes in place that allow us to absorb our future planned growth.

**Images: Top** Shoppers at Green Park Station Market, Bath

**Bottom** A tenant at Brighton Eco-centre



**" Ethical Property and The Grayston Centre provide a wonderful, reasonably priced and environmentally-friendly working space in the hub of Central London, without which we could not function as we do. "**

Joel Llewellyn, Free Tibet Campaign, The Grayston Centre, London



For a more detailed analysis of our performance please see our supplement document, available at [www.ethicalproperty.co.uk/annualreports](http://www.ethicalproperty.co.uk/annualreports). To request a printed version, please call 01865 207 810 or email [info@ethicalproperty.co.uk](mailto:info@ethicalproperty.co.uk).

# Social & Environmental Performance

## Highlights

**279 tenants in our Owned Centres • 126 tenant moves in our Owned Centres • Increase in tenant satisfaction • Staff salary ratio of 4.8:1**

**Our Social and Environmental Performance are vital elements of our Triple Bottom Line.**

### Social Performance

We aim to positively impact society through:

- Our tenants, clients and services
- Our locations
- Our employment practices
- Our openness and transparency.

#### Our tenants, clients and services

Last year we once again provided space to more tenants than ever before – as of September 2015, 279 organisations worked from our 17 Owned Centres, a 2% increase over the previous year. Demand for smaller offices and single desks was higher than previously and it remained apparent that organisations were using space more efficiently.

In 2014/15, 57% of our tenants were charities or other non-profit-making organisations, down slightly on 2013/14 (59%); others tenants work in the social sector, such as consultancies and service providers, or small, local businesses.

The Property Management Contracts element of our business has continued to thrive, with the addition of Cardiff Quaker Meeting House in 2015 offsetting the loss of Brighton Community Base, who chose to take back management of the Centre. We remain committed to choosing our clients carefully and ensuring that all contracts are undertaken on the condition that we can continue to work within our established values. In the year ending September 2015 we had seven clients for whom we provided Property Management services.

• Bath Quaker Meeting House  
[www.bathquakermeeting.org.uk](http://www.bathquakermeeting.org.uk)

• Brighton Open Market  
[www.brightonopenmarket.co.uk](http://www.brightonopenmarket.co.uk)

• Cardiff Quaker Meeting House  
[www.ethicalproperty.co.uk/quakersmeetinghouse](http://www.ethicalproperty.co.uk/quakersmeetinghouse)

• Resource for London  
[www.resourceforlondon.org](http://www.resourceforlondon.org)

• The Foundry  
[www.aplaceforchange.co.uk](http://www.aplaceforchange.co.uk)

• St Michael's Parish Hall (Bath)  
[www.ethicalproperty.co.uk/stmichaelsparishhall](http://www.ethicalproperty.co.uk/stmichaelsparishhall)

• The Unitarian Chapel (Bristol)  
[www.ethicalproperty.co.uk/theunitarianchapel](http://www.ethicalproperty.co.uk/theunitarianchapel)

During the year we emptied half of our Archway Resource Centre, and we are preparing to sell the freehold property comprising 1A Waterlow Road. The sale has not yet been completed but the property's use of resources has impacted on our overall figures for energy and water consumption. Consumption figures are not available for the workshops at Brighton Open Market.

Our annual Tenant Survey showed an average tenant satisfaction rating of 3.8<sup>1</sup> (on a scale of 1 to 5, with 1 being very dissatisfied and 5 being very satisfied). This is a gratifying improvement from 3.6 last year but we aim to take further steps to improve this in the coming year.

### Our locations

We offer a wide range of office sizes, but we are trying to become more flexible in terms of how our space is utilised based upon specific tenant requests. Our largest single tenant<sup>1</sup> in 2014/15 financial year occupied just over 3,200ft<sup>2</sup>/300m<sup>2</sup> of our Brunswick Court Centre in Bristol – whilst around the country we had 87 tenants who occupied less than 107ft<sup>2</sup>/10m<sup>2</sup>.

46 tenants moved out over the last year, offset by 51 new organisations moving in. Single desk spaces remained popular, with 44 full-time or part-time desk users at the end of the year. 29 existing tenants also increased (18) or decreased (11) their space. We consider this proof that our more flexible approach to the division of space is working well, reflected also in our low level of voids (4.2%)<sup>1</sup>.

### Building improvements

Through 2014/15 a number of our Centres have benefited from redecoration or more substantial refurbishments last year including Thorn House, The Old Music Hall, Colston Street, Scotia Works and Brunswick Court. Consistently improving our facilities and the working environment for tenants is vital to our success and this process is ongoing.

### Networking and resource sharing

Tenants often comment on how much they appreciate the chance to work and socialise with like-minded organisations and individuals within our Centres. As well as the sharing of ideas and resources, groups have now been created to develop communal gardens and deliver social media training, among others.



Elsewhere initiatives included a cycling group, fundraisers' forum and regular yoga sessions for tenants (The Foundry), a Macmillan coffee morning (Green Fish), massage and reflexology sessions and our Property Manager running the Great Edinburgh Run to raise funds for a tenant (Thorn House).

### Our locations

Six of our Centres now fall within the most deprived 20% of local areas in the country, according to the Indexes of Multiple Deprivation. All of our properties are in areas classified as being among the 50% of most deprived local areas.

### Our employment practices

As an ethical employer we aim to create a positive working environment, pay salaries which are fair and appropriate, and promote equality of opportunity.

Our Staff Survey again showed high levels of enthusiasm amongst staff with 98% of respondents saying that they enjoyed working for the Company and all felt they shared the Company's values in whole or in part.

In January 2013 we were accredited as a Living Wage employer<sup>2</sup> and we continue to maintain our exceptionally low pay ratio between the highest and lowest paid member of staff – 4.8:1.

### Fairness, honesty and transparency

Our aim is to show all our stakeholders fairness, honesty and transparency.

In most of our Centres we hold regular face-to-face meetings with tenants, to give them an opportunity to comment on general management issues and to develop their own ideas for social and networking events. Property Managers are readily available to tenants and we provide all tenants with access to a comprehensive Tenant Handbook for their property.

We continued this year with a programme of regional meetings with shareholders and offered shareholders meetings in Bristol, Brighton, London, Manchester and Edinburgh. Feedback from those attending was positive and we plan to continue this programme of engagement in the year to come.

## Environmental Performance

From an environmental perspective it is our aim to own buildings which are well-located, refurbished to minimise energy and water use and managed in ways which use resources as efficiently as possible.

### Our energy usage

In the last year our overall energy use increased and the total associated carbon dioxide (CO<sub>2</sub>) emissions increased slightly, as below.<sup>1</sup>

#### Key energy use data 2015

		Change from previous year
Total energy use	2,637,037 kWh	+5.8%
Average energy use/m <sup>2</sup>	151.0 kWh	+10.2%
Total CO <sub>2</sub> emissions <sup>3</sup>	855,863 kgCO <sub>2</sub> /m <sup>2</sup>	+4.6%
Average CO <sub>2</sub> emissions <sup>4</sup>	50.3 kgCO <sub>2</sub> /m <sup>2</sup>	+7.0%

Unfortunately there remains a limit to what we can achieve with the buildings that we have, even with further investment. We continue to work within our seven year environmental plan to ensure that we continue to meet our targets, through environmental evaluation of potential acquisitions.

### The impact of large properties

Our largest building, Development House, remains one of our poorest-performing buildings and therefore has a high impact on the Company's average energy use.

Although we now have plans to dispose of Development House, our growth strategy anticipates setting up more large Centres over the next few years. Our aim is to set up these Centres to the same standard as The Foundry, which achieved a BREEAM excellent rating. The effect of this growth would be to reduce average energy use across the portfolio significantly and enable us to meet the challenging targets we have set ourselves.

Further information on our Social and Environmental performance can be found in the supplement document.

<sup>1</sup> These measures refer to our 17 Owned Centres only

<sup>2</sup> [www.livingwage.org.uk/employers](http://www.livingwage.org.uk/employers)

<sup>3</sup> Based on the fuel mix in the National Grid for electricity – see supplement for more information.

<sup>4</sup> Totals for energy and carbon dioxide include Green Park Station shops, but averages per square metre do not because of the inconsistent features of the supplies there.

**Image:** Shareholders at the 2015 Ethical Property AGM



**" It's great for us to work in a building managed by landlords that understand what we do and who we are. We want our business premises to be as sustainable as possible, and we know that the Brighton Eco-centre is. "**

**Brenda Pollock, Friends of The Earth, Brighton Eco-centre**

For a more detailed analysis of our performance please see our supplement document, available at [www.ethicalproperty.co.uk/annualreports](http://www.ethicalproperty.co.uk/annualreports). To request a printed version, please call 01865 207 810 or email [info@ethicalproperty.co.uk](mailto:info@ethicalproperty.co.uk).

# Social And Environmental Audit

## Auditor's Assurance Statement – The Ethical Property Company Limited, 2015

### Scope and objectives

The Ethical Property Company Limited ('Ethical Property') commissioned Henriques & Co. Ltd ('the Auditor') to undertake independent assurance of its 2014/15 Social Report, Pages 10 & 11 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 sixth year that the Auditor has reviewed the Ethical Property Social Report. The assurance process was conducted in line 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](http://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 information, visited Ethical Property sites and interviewed 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 fairly represents Ethical Property's principal stakeholder relationships, impacts on its stakeholders and its responses to their concerns.**

**However the Report provides limited coverage of its non-owned managed properties and does not cover the international activities or joint ventures of the Ethical Property Group.**

### 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. It is welcome to see that staff morale is very high, despite significant staff turnover. In addition, within the owned properties tenant satisfaction has improved slightly, although still below target levels. Within managed properties, satisfaction levels are reasonable.

**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. There is scope to expand the range of diversity issues that are reported in relation to staff.

However there is very limited information on the non-owned 'managed' properties. Ethical Property needs to develop a reporting strategy that fairly represents the full range of its property portfolio. The current Report provides a balanced view of the issues relevant to owned properties but only partial coverage of managed properties. As the proportion of 'managed' properties increases, it will become increasingly important to provide a similarly balanced view of issues relating to managed properties.

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

In a number of areas Ethical Property performance has been good and steadily increasing. This includes tenant satisfaction, payment of suppliers and staff attitudes.

Performance on environmental issues has been somewhat erratic and demands a more persistent approach to the management of these issues.

### Performance Data

There appear to be no major inaccuracies in the data. However data collection systems and processes in a number of areas need to be updated to reflect the greater scale of the organisation and the considerable scope for errors in the current approach.



HENRIQUES & CO. LTD

**Adrian Henriques**  
**Social Auditor**  
Henriques & Co. Ltd  
London, December 2015



# The Ethical Property Family

## Highlights

**Ethical Property Australia raises \$2.7m for new project • Three new Etic Centres due to open in 2016 • Ethical Property Europe Share Issue raises €1.5 million • 9% increase in turnover for Ethical IT • 45% increase in cases for Ethical Property Foundation**

	Holding	Investment value		Management interest
		£	€	
Ethical IT LLP	50%	45,000		2 Ethical Property representatives on management team
Social Justice and Human Rights Centre Limited (The Foundry)	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%	55,433		1 Director of Ethical Property on Board

### Ethical Property Australia

In their first full year of trading, Ethical Property Australia continued to build on the solid foundation of their management contract at Donkey Wheel House, a 32,000ft<sup>2</sup>/3,000m<sup>2</sup> historic building in Melbourne. Donkey Wheel House is home to some of Melbourne's most innovative social enterprises and not-for-profits, including STREAT, The Difference Incubator (TDi), Kinfolk Café, Children's Ground, School of Life and Hub Melbourne.

In April they successfully raised funding for a \$2.7m project in Cairns (Queensland), providing short-term accommodation to Aboriginal and Torres Strait Islander patients coming to the city for treatment at the hospital.

Donkey Wheel House is now full, and there is demand for similar properties in Melbourne, Canberra, Sydney and beyond. They have worked with a number of organisations wanting to co-locate in Melbourne but have found it harder to raise investment than they had expected. In September 2014 they received a \$100,000 grant from National Australia Bank's Impact Investment Readiness Fund to help them work with advisers to solve this problem. They have been working closely with The Difference Incubator on setting up a property fund, which would make it easier to raise investment and this has now been established.

The first property to be owned by the fund will be a 32,000ft<sup>2</sup>/3,000m<sup>2</sup> building in Canberra, which will provide permanent office space to tenants based there; but also temporary desk and meeting space for campaigning organisations who come to the city to lobby politicians, launch campaigns, and raise awareness of social and environmental issues. They hope to complete the purchase of that property in early 2016.

For more information visit  
[www.ethicalproperty.com.au](http://www.ethicalproperty.com.au)

### Etic

Founded in 2010, Etic's head office is based in Vaulx-en-Velin, a suburb of Lyon. In 2012, Etic opened its first Centre there, 'Le Comptoir' – a 3,800ft<sup>2</sup>/350m<sup>2</sup> co-working space for social entrepreneurs. Subsequently, in 2013, Etic helped a large insurance Company to create 'Le BeoTop', a 65,000ft<sup>2</sup>/6,000m<sup>2</sup> office building for charities and NGOs in Paris, a building that Etic now manages.

Etic has developed and invested in four further projects, raising over €3m from 100 ethical shareholders as well as €2.8m from three institutions through the subsidiaries owning the buildings alongside Etic. This capital, combined with bank loans, allowed them to finance:

- Mundo-M in Montreuil (east suburb of Paris): 20,400ft<sup>2</sup>/1,900m<sup>2</sup> of office, meeting, conferencing space with an organic café that opened in April 2015 and is 100% full with over 40 organisations, including many NGOs working on Paris' COP21.
- Les Ateliers in Castres, (Southwest France): 21,500ft<sup>2</sup>/2,000m<sup>2</sup> of office, meeting, conferencing space with a restaurant, fair trade and local food shop; as well as a temporary exhibition space for local art and craftspeople. This will open in January 2016 and will house over 40 organisations.
- Hevea in Lyon, (Southeast France): 20,000ft<sup>2</sup>/1,850m<sup>2</sup> of office, meeting, conferencing space with an organic vegetarian restaurant and a child-care Centre for under 3s. They aim to start the refurbishment and open the Centre in 2016.
- Le Chateau, in Nanterre (west suburb of Paris): over 21,500ft<sup>2</sup>/2,000m<sup>2</sup> of offices, restaurants and conferencing space with a large garden. The refurbishment will start in early 2016 and will last 18 months.

Etic's investors are small private shareholders including employees and tenants, as well as business angels and social investment funds. Ethical Property Europe has invested €180k and Ethical Property in the UK have invested €10k.

# The Ethical Property Family

In 2015, Etic has invested €80K (50% share capital and 50% obligations) in Ethical Property Europe.

Etic is committed to cross-collaboration. They invested €90k in two systems to increase sharing across the Family: a video-conferencing system and a social network, [www.socialchange.eu](http://www.socialchange.eu). Initially developed with Ethical Property in mind, these systems are now used by other organisations who manage ethical spaces and networks.

For more information visit [www.etic.co](http://www.etic.co)

## Ethical Property Europe

2015 was another successful year for Ethical Property Europe (EPE) as they completed a successful Share Issue that will finance their future developments.

Mundo-J, their newest Centre that launched in mid-2014, is now up and running in the heart of the European district in Brussels and reached full occupancy in early 2015. They now manage 108,000ft<sup>2</sup>/10,000m<sup>2</sup> of space in total supporting 130 social change organisations, while their conference and meeting facilities host more than 7,000 meetings a year and are increasingly becoming one of the most popular venues for social change organisations in Belgium.

Operationally, they have focused on improving their services to tenants, particularly in terms of improvements to IT services and internal communications. This was reflected positively in their Tenant Survey's responses.

In terms of their financial performance, their operating profit increased by 17% and Net Asset Value is now €1.04.

In 2015 they launched a Share Issue that raised €1.5 million; funds that will be allocated towards developing a fourth Mundo Centre in Antwerp, Mundo-A. This will become their first newly built Centre and also their first in Flanders. They are in the process of designing this Centre to high environmental standards, using natural building materials and committing to low energy consumption. Mundo-A is due to open early 2017 and will eventually be home to 25 tenants in 24,000ft<sup>2</sup>/2,200m<sup>2</sup> of space.

For more information visit [www.ethicalproperty.eu](http://www.ethicalproperty.eu)

## Ethical IT

Ethical IT LLP (EIT) is a partnership between JADe (Joint Application Development Enterprises Ltd) and the Ethical Property Company, providing Cloud and Telephony solutions, and support services. Established in 2011, EIT now boasts approximately 70 customers, not including an additional 150+ Ethical Property Company tenants across the UK.

External customers include ActionAid, Age UK Enterprises, Family Action and Greenpeace and in the last year EIT has acquired a number of new customers including Impetus PEF, National Children's Bureau, Halo Leisure, Malaria No More and CHS Alliance.

As of September 2015, 60 external customers were UK charities (2014: 50) and 10 UK not-for-profit organisations. The service provided by EIT includes telephony and internet access systems; extended Cloud services such as virtual desktops; extended helpdesk support and consultancy. All services are provided giving appropriate consideration to the environmental and social implications.

Their 'Ethical Cloud' platform continues to grow in particular, with data centres in London and Newport (South Wales) hosting in excess of 2,500 users.

EIT is now one of the UK's key service providers of IT and telephony services to the social change sector and its annual turnover increased by approx. 9% to £1.5m in 2014/2015, a figure that is expected to rise further next year.

EIT now employ 17 full-time staff and works with a number of associates and have recently successfully achieved accreditation of the ISO27001 data security standard, which is critical for their continued growth of Cloud services.

Over the next year, EIT plan to continue to develop their Cloud services, including both public Cloud solutions, such as Microsoft Office 365, and their own private Cloud solutions, while continuing to provide modern, cost-effective and green friendly IT solutions to the social change sector.

For more information visit [www.ethicalit.net](http://www.ethicalit.net)

## Ethical Property Foundation

In 2014/15, the Ethical Property Foundation continued to develop into a social enterprise with both the Fairplace Award – their ethical workplace accreditation – and their new property consultancy coming on stream.

Highlights include the publication of their third Charity Property Matters Survey which they published in partnership with the Charity Commission and which was launched at the Royal Institute of Chartered Surveyors. This received extensive coverage across the property and third sector press. Most notably, the Survey revealed that close to half charities surveyed considered their property to be the biggest threat to sustainability.

In early 2015 they became the preferred supplier to the Charity Commission for land and property advice. This saw a 45% caseload increase and 70% leap in visitors to their online property advice centre – this significant third party endorsement has ensured successful early development of their property consultancy to larger NGOs and non-profits.

The Fairplace Award ([www.fairplaceaward.com](http://www.fairplaceaward.com)) is taking time to establish itself in a crowded market; however big names in the property industry now consider it as an excellent business improvement tool. RBS received accreditation for their 166,000ft<sup>2</sup>/15,400m<sup>2</sup> back office in Thanet Grange in Essex which has received significant attention across the business community. The Foundation have also established a strong body of volunteer assessors drawn from CBRE, Mitie, Savills and Emcor and while they are delighted to acknowledge funding from City Bridge Trust and Tudor Trust, they hope that the Fairplace Award will generate sufficient funds to support their free property advice service.

For more information visit [www.ethicalproperty.org.uk](http://www.ethicalproperty.org.uk)



# Dividend Waiver

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 2014/15 was as follows:

	Actual	Budget
Brought forward	£10,332	£10,332
Contributions for the year	£14,497	£12,000
<b>Total income</b>	<b>£24,829</b>	<b>£22,332</b>
Rent hardship Fund and supporting start-up organisations	£8,308	£10,000
Supporting the Ethical Property Foundation	£6,000	£6,000
Supporting projects and development initiatives		£5,000
<b>Total expenditure</b>	<b>£14,308</b>	<b>£21,000</b>
<b>Carried forward</b>	<b>£10,521</b>	<b>£1,332</b>

## 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 continues to provide invaluable temporary support to a range of tenants; since the end of the financial year we have committed support to a further two tenants to cover periods of short-term financial hardship. The number of requests for support, although higher than in 2013/14, is running at a lower level than during the recession, which gives scope for further uses of the Fund to support other social and environmental initiatives.

During the year we funded six organisations that were experiencing short term hardship. Support was in the form of additional discounts for limited periods of time or rent holidays. All of the 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 2015/16 is as follows:

Brought forward	£10,521
Contributions for the year	£13,000
<b>Total budget for the year</b>	<b>£23,521</b>
Rent Hardship Fund and supporting start-up organisations	£10,000
Supporting the Ethical Property Foundation	£6,000
Supporting projects and development initiatives	£5,000
<b>Total expenditure</b>	<b>£21,000</b>
<b>Carried forward</b>	<b>£2,521</b>

## 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 the largest portion of the Fund will be taken up by this support.

## Support for the Ethical Property Foundation

The Ethical Property Foundation celebrated its 10th anniversary in October 2014 and launched The Fairplace Award – the new ethical workplace standard, powered by the vision that workplaces should be managed for the benefit of people and the planet. This standard is aligned with our successful operating model. The Making Waives Fund will make a contribution to support the Foundation on its journey to develop into a social enterprise and through a period of growth.

## Supporting projects and development initiatives

From time to time we are in contact with local community organisations seeking to revitalise the use of a property to bring social and environmental benefits; we propose to reserve part of the Fund to support like-minded organisations where a relatively small injection of funding can enhance the success of the project.



**" Being in the Grayston Centre means that our rent goes to a Company that has an ethical commitment and our values in terms of issues such as reducing energy usage. "**

**David Gee, Alternatives to Violence Project, Britain – Grayston Centre, London**



# Financial Performance

## Highlights

**Investment property valuation increased by 17% • Net Asset Value per share increased by 27% • Operating profit up 6%**

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

### Profitability

In 2014/15, operating profit increased by 6% to £736,436. As detailed on page 23, this increase is in line with turnover growth. We have increased expenditure on repairs and maintenance and reduced administration costs as part of our ongoing strategy to increase profitability.

### Dividends

This is a measure of the financial returns offered by the Company. The Company has paid a dividend every year since 2001, even during the recession, and plans to increase its dividend year-on-year consistent with supporting the strategy for growth.

A dividend was declared for distribution in April 2015 of 2 pence per share, an increase of 0.5 pence per share on the 2014 dividend.

### Net Asset Value per share

This is a measure of the capital value of each share in the Company, calculated as Net Asset Value (NAV) per share. For 2014/15 the Net Asset Value was up 27% to 163 pence per share (last year 128 pence). The increase in the value of our properties has been the most significant driver of the rise in NAV.

### 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%.

During the year we implemented a broader strategy to increase liquidity including a Share Buy-Back.

This year a total of 107,115 shares were traded on the market (2013/14: 30,267), with a surplus of 143,641 shares left untraded at the year-end (2013/14: 516,680). Liquidity was 75% (2013/14: 6.0%).

The Share Issue launched in September 2015 stimulated increased activity on the secondary market. Between 1st October and 31st December 2015 a total of 183,682 shares were matched and the price at which shares were sold rose to £1.00 in line with the Share Issue.

### Repairs and maintenance

This is a measure of the percentage of annual rental income spent on repairs, maintenance and insurance of buildings. This year £183,513 was spent in these areas on the property portfolio (2013/14: £139,881). This represents 8.2% of rental income (2013/14: 6.4%). On a like-for-like basis this represents a 30% increase in spending as part of our ongoing commitment to invest in our properties, with the greatest improvements at The Grayston Centre, Green Park Station, Thorn House, Scotia Works and Brighton Eco-centre. Further capital spending of £125,511 (2013/14: £65,423) to improve the fabric of our properties was also made available.

### 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 4.2% compared with 3.3% last year. As noted on page 18, excluding The Old Music Hall in Oxford the average was 3.2%. Most properties

continue to enjoy very high levels of occupancy with Scotia Works in Sheffield having reached over 90% occupancy by year end compared to 50% last year.

### Rental levels

We continue to monitor rental levels and in January 2015 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.

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 2015, resulting in a general increase of 4.6%.

### Property values

The table below summarises changes to the overall increase or decrease in the capital value of our properties over Book Cost since they were purchased. This table excludes properties acquired or disposed of during the year, and the Archway site that is in the course of disposal.

'Book Cost' is the amount we have actually spent on the purchase of and subsequent improvement to a property. Values are taken from July 2015 valuations undertaken by Bilfinger GVA, uplifted to September 2015 values, as advised using the IPD Regional Indices for office properties.

There has been an increase in the value of our portfolio of 17.1%; this is compared with a 19% increase in values in the previous year. We have seen increases in all regions, with the strongest uplift in London.



## Summary of property cost, value and growth rates

Region	Book Cost at 30th Sept 2015	Value at 30th Sept 2015	Value at 30th Sept 2014	Year on year growth
London	£9,193,912	£14,952,718	£12,005,000	24.6%
Oxford and the Midlands	£3,856,863	£3,344,268	£3,100,000	7.9%
The South West	£1,752,785	£3,968,263	£3,650,000	8.7%
Brighton	£1,664,310	£1,666,567	£1,570,000	6.2%
Scotland	£3,162,555	£1,357,177	£1,215,000	11.7%
Pennines	£1,221,882	£1,372,660	£1,235,000	11.1%
<b>Total</b>	<b>£20,852,307</b>	<b>£26,661,654</b>	<b>£22,775,000</b>	<b>17.1%</b>

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 £391,769 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 for our owned buildings, by property, after maintenance and insurance costs, as a percentage of the Book Cost. Overall this has increased from 8.4% to 8.7%.

Sustained occupancy and higher rents have led to increased returns from most properties with the exception of buildings where we have materially increased spending on repairs and maintenance such as Brighton Eco-centre. The return on Book Cost for The Old Music Hall in Oxford dipped last year due to the increase in empty space in the second half of the year.

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 541.2%, compared with 576.8% in 2013/14, due to increased investment on maintenance.



**" It is important for us to be associated with organisations with a strong ethical approach and to be based in offices with other community/campaign groups ...and of course have a really friendly and helpful Property Manager. "**

**Mary Cronley, Oxfam,  
Green Fish Resource Centre, Manchester**

# Financial statements

## Strategic Report

### For the year ended 30th September 2015

The Directors present their Strategic Report for the year ended 30th September 2015.

#### Business review

Operating profit for the year was £736,436 (2014: £697,232), an increase of 6%. This is in line with our growth in turnover, with expansion of both our property rental and Property Management contract activities.

Rental income increased by 4.5%. We continue to experience very high levels of demand for space and most of our properties continue to have very high rates of occupancy. We were able to increase most rents by 4.6% (RPI + 3%) in April 2015.

In total, empty space (voids) averaged 4.2%, 0.9% higher than in 2014. Excluding the Old Music Hall in Oxford, the average would be 3.2%; this property experienced a short term large void following the end of a major tenant's contract.

In May 2015 we entered into a transfer agreement with Bristol City Council for St Pauls Learning Centre in Bristol under a 15 year lease and took over the day-to-day running of the Centre. We received a grant from Bristol City Centre of £165,335 in support of the Centre, while we work to create a financially self-sufficient community asset.

As part of our planned growth we acquired our first property in Wales, Hastings House in Cardiff in August 2015, and drew down an additional £935,000 of loan funding in support of this purchase.

Income from Property Management Contracts increased by 21% this year; this is principally due to having a full year's operation of The Foundry, which opened in September 2014, and achieved 100% occupancy by August 2015. The Foundry is owned by the Social Justice and Human Rights Centre Limited, a Company we have invested in alongside Trust for London, Joseph Rowntree Charitable Trust, The Barrow Cadbury Trust and Llankelly Chase Foundation.

Property valuations have increased significantly, adding £3,853,849 (17%) to the value of the portfolio. Of this, £2.9 million (76%) of the improvement has come from our London properties, though with some increase in all locations, particularly Manchester and Bristol.

#### Results and dividends

The profit on ordinary activities after taxation and before exceptional items amounted to £374,015 (2014: £379,228). A tax charge of £24,737 (2014: Nil) is payable this year.

On 4th February 2015 the Directors declared a dividend of 2 pence per share which was paid in April 2015. The dividend was £272,805 of which £14,497 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.

#### Principal risks and uncertainties

The Company's management has a key objective to reduce the risks the Company faces. We do 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:

#### Reduction in the value of property

The Company is exposed to movements in the value of the property against which its 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.

# Financial statements

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

The Company's 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.

Approved by the Board on 21st January 2016 and signed on its behalf by:



**S Ralphs**  
**Director**

The Directors present their Report and the financial statements for the year ended 30th September 2015.

## Directors of the Company

The Directors who held office during the year were as follows:

J Whitaker (Chair)  
P Bellack  
T Farazmand (appointed 01.04.15)  
M Luntley  
S Ralphs  
L Tennant

## Managing Director

S Ralphs

## 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.

## Directors and their interests

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

Ordinary shares of 50p each		
	At 30th September 2015	At 1st October 2014
J Whitaker (Chair)	Nil	Nil
P Bellack	50,000	25,000
T Farazmand	Nil	Nil
M Luntley	1,408	1,408
S Ralphs	8,685	3,500
L Tennant	Nil	Nil

S Ralphs also has 3,377 shares in the Employee Benefit Trust (EBT).



# Financial statements

## Shareholdings

As at 30th September 2015, 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	318	125,280	24%	1%
501 to 1,000	268	249,681	20%	2%
1,001 to 2,000	191	318,263	14%	2%
2,001 to 5,000	256	954,241	19%	7%
5,001 to 10,000	140	1,118,978	11%	9%
10,001 to 50,000	112	2,458,309	8%	19%
50,001 to 100,000	15	1,050,886	1%	8%
100,001 to 500,000	18	3,981,667	1%	30%
500,001 to 1,000,000	1	571,428	less than 1%	4%
1,000,001 to 5,000,000	2	2,326,130	less than 1%	18%
<b>Total</b>	<b>1,321</b>	<b>13,154,863</b>	<b>100%</b>	<b>100%</b>

## Share Buy-Back

During the year the Company purchased 485,392 of its own Ordinary Shares at a nominal value of £242,696. The Ordinary Shares were purchased for a consideration of £388,314 and represent 3.56% of the called up share capital of that class of share.

## Disclosure of information to the Auditor

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 Auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and which they know the Auditor is unaware of.

Approved by the Board on 21st January 2016 and signed on its behalf by:



**S Ralphs**  
**Director**

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and 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 2015, set out on pages 18 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 2015 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.

# Independent Auditor's report

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

**Anthony Harris**

**Senior Statutory Auditor**

For and on behalf of Critchleys LLP, Statutory Auditor

Greyfriars Court  
Paradise Square  
Oxford  
OX1 1BE

Date: 22nd January 2016



# Financial statements

For the year ended 30th September 2015

## Profit and Loss account for the year ended 30th September 2015

	Note	2015 £	2014 £
<b>Turnover</b>	2	<b>4,119,543</b>	3,887,668
Cost of sales		<b>(2,202,262)</b>	(1,943,800)
<b>Gross profit</b>		<b>1,917,281</b>	1,943,868
Administrative expenses		<b>(1,268,196)</b>	(1,341,110)
Other operating income	3	<b>87,351</b>	94,474
<b>Operating profit</b>	3	<b>736,436</b>	697,232
Income from participating interests		<b>29,524</b>	17,827
Other interest receivable and similar income	6	<b>54,058</b>	51,679
Interest payable and similar charges	8	<b>(405,609)</b>	(407,834)
<b>Profit on ordinary activities before exceptional items, taxation and property disposals</b>		<b>414,409</b>	358,904
(Loss)/profit on disposal of fixed assets		<b>(15,657)</b>	20,324
Profit on ordinary activities before movements on investments		<b>398,752</b>	379,228
Amounts recovered/(written off) investment properties		<b>391,769</b>	1,351,764
Tax on profit on ordinary activities	9	<b>(24,737)</b>	-
<b>Profit for the financial year</b>	20	<b>765,784</b>	1,730,992
Earnings per share (pence)	19	<b>2.79</b>	2.78
Earnings per share including exceptional items (pence)	19	<b>5.82</b>	12.69

Turnover and operating profit derive wholly from continuing operations.

Cost of sales has been restated to include the cost of staff employed in the Property Management of owned buildings.

## Statement of total recognised gains and losses for the year ended 30th September 2015

	Note	2015 £	(As restated) 2014 £
Profit for the financial year		<b>765,784</b>	1,730,992
Foreign currency translation movements		<b>67,472</b>	97,363
Unrealised surplus on revaluation of properties		<b>3,462,080</b>	2,846,129
<b>Total recognised gains and losses relating to the year</b>		<b>4,295,336</b>	4,674,484

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

# Financial statements

For the year ended 30th September 2015

## Balance sheet at 30th September 2015

	Note	2015 £	(As restated) 2014 £
<b>Fixed assets</b>			
Intangible fixed assets	10	5,667	22,667
Tangible fixed assets	11	28,210,220	23,291,714
Investments	12	5,370,628	4,994,285
		<b>33,586,515</b>	<b>28,308,666</b>
<b>Current assets</b>			
Debtors	13	556,464	602,408
Cash at bank and in hand		605,030	794,502
		<b>1,161,494</b>	<b>1,396,910</b>
<b>Creditors: Amounts falling due within one year</b>	14	<b>(1,087,631)</b>	<b>(911,931)</b>
<b>Net current assets</b>		<b>73,863</b>	<b>484,979</b>
<b>Total assets less current liabilities</b>		<b>33,660,378</b>	<b>28,793,645</b>
<b>Creditors: Amounts falling due after more than one year</b>	15	<b>(12,219,324)</b>	<b>(11,353,264)</b>
<b>Net assets</b>		<b>21,441,054</b>	<b>17,440,381</b>
<b>Capital and reserves</b>			
Called up share capital	17	6,577,432	6,820,128
Share premium account	20	2,086,262	2,086,262
Capital redemption reserve	20	530,947	288,251
Revaluation reserve	20	8,403,423	4,578,246
Other reserves	20	10,521	(44,596)
Profit and Loss account	20	3,832,469	3,712,090
<b>Shareholders' funds</b>	21	<b>21,441,054</b>	<b>17,440,381</b>

Details of the prior year adjustment are given in note 22.

Approved by the Board on 21st January 2016 and signed on its behalf by:



**S Ralphs**  
Director

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

# Financial statements

For the year ended 30th September 2015

## Reconciliation of operating profit to net cash flow from operating activities

	2015 £	2014 £
Operating profit	736,436	697,232
Depreciation, amortisation and impairment charges	160,113	162,695
Decrease in debtors	45,944	18,034
Increase in creditors	150,963	39,268
Profit and Loss reserve – foreign currency translation	67,472	97,363
Exchange rate differences on loans	(68,940)	(100,601)
Net cash inflow from operating activities	1,091,988	913,991

## Cash flow statement

	2015 £	2014 £
Net cash inflow from operating activities	1,091,988	913,991
<b>Returns on investment and servicing of finance</b>		
Interest received	54,058	51,679
Interest paid	(405,609)	(407,834)
Dividends received	29,524	17,827
	(322,027)	(338,328)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,207,770)	(470,798)
Sale of tangible fixed assets	(15,657)	359,239
	(1,223,427)	(111,559)
<b>Acquisitions and disposals</b>		
Acquisition of investments in associates and joint ventures	(27,033)	(80,460)
Sale of investments in associates and joint ventures	13,788	-
	(13,245)	(80,460)
Equity dividends paid	(272,805)	(204,604)
Dividends waived	14,497	11,096
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>	(725,019)	190,136
<b>Financing</b>		
Cash inflow from loans and borrowings	935,000	-
Purchase of own shares	(399,453)	-
	535,547	-
<b>(Decrease)/increase in cash</b>	(189,472)	190,136

## Reconciliation of net cash flow to movement in net debt

	Note	2015 £	2014 £
<b>(Decrease)/increase in cash</b>		(189,472)	190,136
Cash inflow from loans		(935,000)	-
Change in net debt resulting from cash flows	25	(1,124,472)	190,136
Exchange differences		68,940	100,601
Movement in net debt	25	(1,055,532)	290,737
Net debt at 1st October	25	(10,558,762)	(10,849,499)
Net debt at 30th September	25	(11,614,294)	(10,558,762)

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



# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

### 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.

Details of the prior year adjustment are given in note 22.

#### b) Turnover

Turnover comprises rents, service charges, management fees and consultancy fees receivable by the Company, exclusive of value added tax.

#### c) Grants

Revenue grants are recognised in the Profit and Loss account on a systematic basis over the period in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

#### d) Goodwill

Goodwill is capitalised at cost, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 5 years. 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.

#### e) 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

#### f) Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated 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

#### g) 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, the Directors 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.

#### h) Investments, associated companies and joint ventures

Investments and holdings in joint ventures were stated at the lower of cost and estimated net realisable value, and accounting policy for joint ventures has not changed.

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. The Company has changed its accounting policy and investments in associated companies are now stated at the underlying Net Asset Value where this is materially different from cost. Details of the adjustment are given in note 22.

Other material investments are now revalued for exchange rate movements.

#### i) 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.

#### j) 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.

# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

### k) 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.

### l) 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.

### m) 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.

### n) 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.

### o) Employee Benefit Trust

Assets held in the Employee Benefit Trust (EBT) are recognised as that of the Company until they vest 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. As all shares have either been transferred to employees who have left the Company or will be transferred to current employees in March 2016, the balance of this asset has been transferred to the Profit and Loss reserve.

### p) 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 results for the year.

## 2. Turnover

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

## 3. Operating profit

	2015 £	2014 £
Operating profit is stated after charging:		
Auditor's remuneration – the audit of the Company's annual accounts	8,153	7,438
Depreciation of owned assets	143,113	145,695
Loss/(profit) on disposal of fixed assets	15,657	(20,324)
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:

	2015 No.	2014 No.
Administration staff	50	42
Management staff	4	5
	54	47

The aggregate payroll costs were as follows:

	2015 £	2014 £
Wages and salaries	1,545,296	1,314,320
Social security costs	129,397	121,954
Staff pensions	74,888	72,469
	1,749,581	1,508,743

## 5. Directors' remuneration

The Directors' remuneration for the year was as follows:

	2015 £	2014 £
Remuneration	59,805	70,994
Company contributions paid to money purchase schemes	4,186	4,634

During the year salaries were being paid, and retirement benefits in respect of a money purchase pension scheme were accruing, to 1 (2014: 1) Director.

In addition to the above remuneration, fees of £24,375 (2014: £23,279) were paid to Non-executive Directors.

# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

### 6. Other interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	-	940
Other interest receivable	54,058	50,739
	<b>54,058</b>	<b>51,679</b>

### 7. Amounts recovered/(written off) investment properties

During the year there was a write back of £391,769 (2014: £1,351,764) on the permanent diminution written off in previous years on investment properties.

### 8. Interest payable and similar charges

	2015 £	2014 £
Interest on bank borrowings	405,609	407,834
	<b>405,609</b>	<b>407,834</b>

### 9. Taxation

#### Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2014 – lower than) the standard rate of corporation tax in the UK of 20% (2014: 21%).

The differences are reconciled below:

	2015 £	2014 £
Profit on ordinary activities before taxation	414,409	358,904
Corporation tax at standard rate	79,750	79,638
Capital allowances for the year	(51,882)	(91,125)
Effect of capital gain/loss	(3,131)	20,324
Expenses carried forward for tax purposes	-	(8,837)
Total current tax	<b>24,737</b>	-

### 10. Intangible fixed assets

	Goodwill £	Total £
<b>Cost</b>		
At 1st October 2014	85,000	<b>85,000</b>
At 30th September 2015	85,000	<b>85,000</b>
<b>Amortisation</b>		
At 1st October 2014	62,333	<b>62,333</b>
Charge for the year	17,000	<b>17,000</b>
At 30th September 2015	79,333	<b>79,333</b>
<b>Net book value</b>		
At 30th September 2015	5,667	<b>5,667</b>
At 30th September 2014	22,667	<b>22,667</b>

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



# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

### 11. Tangible fixed assets

	Investment properties £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>				
At 1st October 2014	22,730,115	870,041	776,593	24,376,749
Revaluation	3,853,849	-	-	3,853,849
Additions	1,066,133	125,511	16,126	1,207,770
At 30th September 2015	27,650,097	995,552	792,719	29,438,368
<b>Depreciation</b>				
At 1st October 2014	-	460,620	624,415	1,085,035
Charge for the year	-	92,816	50,297	143,113
At 30th September 2015	-	553,436	674,712	1,228,148
<b>Net book value</b>				
At 30th September 2015	27,650,097	442,116	118,007	28,210,220
At 30th September 2014	22,730,115	409,421	152,178	23,291,714
During the year Bilfinger GVA Chartered Surveyors, independent valuers, revalued all properties as at 31st July 2015, the properties were then indexed to the 30th September 2015. All properties were revalued except two vacant buildings in the course of disposal and one property which was purchased in the year.				
Revaluation above includes £391,769 reversal of permanent diminution.				
		<b>2015 £</b>	<b>2014 £</b>	
The historical cost of investment properties		<b>22,027,780</b>	20,961,647	
Value of long leasehold properties included within investment properties		<b>4,940,999</b>	4,641,784	
Historical cost of long leasehold properties		<b>3,041,610</b>	3,041,610	
The Company received no grants during the year or the prior year.				

Finance costs have been capitalised as follows:

	<b>2015 £</b>	<b>2014 £</b>
Finance costs included within additions in the year	<b>Nil</b>	Nil
Aggregate amount of finance costs capitalised at the year end	<b>307,296</b>	307,296
Rate used for capitalisation of finance costs	<b>3.5%</b>	3.5%

### 12. Investments held as fixed assets

	<b>2015 £</b>	<b>(As restated) 2014 £</b>
Shares in group undertakings and participating interests	<b>5,370,628</b>	4,994,285
<b>Shares in group undertakings and participating interests</b>		
	<b>Joint ventures and associates £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 1st October 2014	<b>4,994,285</b>	4,994,285
Revaluation	<b>363,098</b>	363,098
Additions	<b>27,033</b>	27,033
Disposals	<b>(13,788)</b>	(13,788)
At 30th September 2015	<b>5,370,628</b>	5,370,628
<b>Net book value</b>		
At 30th September 2015	<b>5,370,628</b>	5,370,628
At 30th September 2014	<b>4,994,285</b>	4,994,285

# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

### 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
<b>Joint ventures</b>			
Ethical IT LLP	n/a	50%	IT solutions for organisations
Social Justice and Human Rights Centre Limited	Ordinary	40.7%	Letting and management of property
<b>Associates</b>			
Ethical Property Europe	Ordinary	39%	Letting and managing of property
Ethical Property Australia	Ordinary	50%	Letting and management of property

The profit for the financial period of Ethical IT LLP was £122,902 and the aggregate amount of capital and reserves at the end of the period was £365,726.

The profit for the financial period of Ethical Property Europe Group was £106,229 and the aggregate amount of capital and reserves at the end of the period was £5,439,103.

The financial period end of Ethical Property Australia is 30th June. The loss for the financial period of Ethical Property Australia was £18,965 and the aggregate amount of capital and reserves at the end of the period was £50,026.

### Social Justice and Human Rights Centre Limited

Included within investments is a loan of £800,000 (2014: £800,000), the terms of the loan are interest-only for five years to August 2018 at 6.25% per annum.

### 13. Debtors

	2015 £	2014 £
Trade debtors	119,583	216,302
Other debtors	59,044	57,063
Prepayments and accrued income	377,837	329,043
	556,464	602,408

Included within other debtors is a £50,000 loan to Brighton Open Market CIC which is repayable over three years. Interest is payable monthly in arrears at a rate of 7% above the Bank of England base rate.

### 14. Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	304,116	321,277
Corporation tax	24,737	-
Other taxes and social security	132,153	143,671
Other creditors	512,065	446,983
Deferred income	114,560	-
	1,087,631	911,931

Deferred income	£
Brought forward at 1st October 2014	-
Received during the year	165,335
Release of deferred income in the year	50,775
Carried forward at 30th September 2015	114,560

On 1st May 2015 Bristol City Council transferred St Pauls Learning Centre to the Company on a 15 year lease and provided a grant of £165,335 towards operating costs over the first three years. £50,775 has been used to support the Centre's activities up to 30th September 2015.

# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

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

	2015 £	2014 £
Bank loans	12,219,324	11,353,264

The bank loans to the Company are secured by a charge over certain properties of the Company. The Company has a loan agreement with Triodos Bank NV. The current agreement expires in October 2016. A new facility has been agreed, subject to contract.

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.

	2015 £	2014 £
<b>Provided for:</b>		
Unrealised capital gains	-	-
Taxable expenses carried forward	-	-
	-	-
<b>Unprovided for:</b>		
Liability in respect of unrealised capital gains	(623,891)	(451,503)
Asset in respect of unrealised capital losses	999,813	1,504,228
Asset in respect of taxable expenses carried forward	-	82,447
Accelerated capital allowances	(787,668)	(765,427)
Net unprovided (liability)/asset	(411,746)	369,745

A deferred tax liability has not been included in the accounts as any gains on disposal of fixed assets are intended to be rolled over into replacement assets.

### 17. Share capital

#### Allotted, called up and fully paid shares

	No.	2015 £	No.	2014 £
Ordinary shares of £0.50 each	13,154,863	6,577,432	13,640,255	6,820,128

#### Share Buy-Back

During the year the Company purchased 485,392 of its own ordinary shares at a price of £0.80. The ordinary shares were purchased for a consideration of £388,314 and represent 3.56% of the called up share capital of that class of share.

### 18. Dividends

	2015 £	2014 £
<b>Dividends paid</b>		
Prior year final dividend paid	272,805	204,604

During the year dividends totalling £14,497 (2014: £11,096) were waived.

In February 2015 the Directors declared a dividend of 2 pence per share (2014: 1.5 pence per share) which was paid in April 2015 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 £398,752 (2014: £379,228) and on 13,391,575 (2014: 13,640,255) 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 £765,784 (2014: £1,730,992) and on 13,391,575 (2014: 13,640,255) ordinary shares, being the weighted average of ordinary shares in issue during the year.

In the opinion of the Directors the earnings per share excluding exceptional items is a more suitable measure of the underlying performance of the Company.

# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

### 20. Reserves

	Share premium account £	Capital redemption reserve £	Revaluation reserve £	ESOP reserve £	Dividend Waiver reserve £	Profit and Loss account £	Total £
At 1st October 2014	2,086,262	288,251	4,578,245	(54,928)	10,332	3,712,090	10,620,252
Profit for the year	-	-	-	-	-	765,784	765,784
Dividends	-	-	-	-	-	(272,805)	(272,805)
Purchase of own shares	-	242,696	-	-	-	(399,452)	(156,756)
Revaluation of investments	-	-	363,098	-	-	-	363,098
Surplus on property revaluation	-	-	3,462,080	-	-	-	3,462,080
Foreign currency translation gains	-	-	-	-	-	67,472	67,472
Other reserve movements	-	-	-	-	(14,308)	14,308	-
Dividends waived	-	-	-	-	14,497	-	14,497
Transfer of ESOP reserve	-	-	-	54,928	-	(54,928)	-
At 30th September 2015	2,086,262	530,947	8,403,423	-	10,521	3,832,469	14,863,622

### 21. Reconciliation of movement in shareholders' funds

	2015 £	(As restated) 2014 £
Profit attributable to the members of the Company	765,784	1,730,992
Other recognised gains and losses relating to the year	3,907,147	2,954,588
Dividends	(272,805)	(204,604)
Purchase of own share capital	(399,453)	-
Net addition to shareholders' funds	4,000,673	4,480,976
Shareholders' funds at 1st October	17,440,381	12,959,405
Shareholders' funds at 30th September	21,441,054	17,440,381

### 22. Prior period adjustments

- a) Salaries amounting to £515,307 have been reclassified from administrative costs to cost of sales in 2014.
- b) The Company has changed its accounting policy with regard to investments. Investments in associates are now valued at the Company's Net Asset Value per share. The effect on 2014 is an increase in investments of £513,903 and this has been reflected as a prior year adjustment. Investments are also revalued for exchange movements; the effect on 2014 is a reduction in investments of £278,971.

### 23. Pension schemes

#### Defined contribution pension scheme

The Company operates two defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £74,888 (2014: £72,469).

Contributions totalling £4,811 (2014: £25,418) were payable to the fund at the balance sheet date and are included in other creditors.

### 24. Commitments

#### Operating lease commitments

As at 30th September 2015 the Company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

Other	2015 £	2014 £
Within one year	2,820	888
Within two and five years	9,122	9,685
Total	11,942	10,573



# Financial statements

## Notes to the Financial Statements

For the year ended 30th September 2015

### 25. Analysis of net debt

	At 1st October 2014 £	Cash flow £	Exchange movement £	At 30th September 2015 £
Cash at bank and in hand	794,502	(189,472)	-	<b>605,030</b>
Debt due after more than one year	(11,353,264)	(935,000)	68,940	<b>(12,219,324)</b>
Net debt	(10,558,762)	(1,124,472)	68,940	<b>(11,614,294)</b>

### 26. Post balance sheet events

A Share Issue opened on 1st October 2015 and closed at 3.00pm on 31st December 2015. The Company has raised £1.75m by issuing Ordinary Shares of £0.50 each in the Company at £1.00 per share with a minimum subscription per investor of £1,000 (1,000 shares).

In December 2015 the Company exchanged contracts to purchase a building in East London. Once refurbished and extended, this property will provide much needed additional space in London and will replace Development House in Old Street.

### 27. Related party transactions

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

#### 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 £118,746 plus VAT (2014: £117,917 plus VAT) for IT services. The Company raised invoices to Ethical IT LLP during the year amounting to £25,900 plus VAT (2014: £25,913 plus VAT) for management fees and £24,225 plus VAT (2014: £25,114 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 £4,181 (2014: £1,585). At the year end there was an intercompany balance of £Nil (2014: £1,793) owed to Ethical IT LLP. The transactions were carried out in the normal course of business. At the balance sheet date the amount due from Ethical IT LLP was £5,389 (2014: £30,420).

#### Social Justice and Human Rights Centre Limited

(Joint venture with Trust for London, Joseph Rowntree Charitable Trust, The Barrow Cadbury Trust and Lankelly Chase Foundation)

The Ethical Property Company manages the Company and all its transactions, including payment of management fees. At the year end the Company's investment in the share capital of the Social Justice and Human Rights Centre Limited was £2,934,750 (2014: £1,699,500). In addition, at the end of the year, the balance of the loan made to the Social Justice and Human Rights Centre Limited was £800,000 (2014: £800,000); interest of £50,000 (2014: £50,000) 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 from Social Justice and Human Rights Centre Limited was £31,442 (2014: £46,610).

#### Etic

Ethical Property Company Ltd has invested £50,000 in Etic. Mark Luntley, one of the Directors of Ethical Property Company Limited, owns 2,000 shares with a nominal value of €2,000 in Etic. At the balance sheet date the amount due to Etic was £nil (2014: £nil).

### 28. Control

There is no overall controlling shareholder.

# Our Owned Centres

## London and the South East



Archway Resource Centre, London



Brighton Eco-centre, Brighton



Brighton Junction, Brighton



Brighton Open Market Studios, Brighton



Development House, London



Durham Road Resource Centre, London

## The South West



The Grayston Centre, London



Brunswick Court, Bristol



Colston Street Centre, Bristol

---

## The South West



Green Park Station, Bath



Picton Street Centre, Bristol



St Pauls Learning Centre, Bristol

---

## Oxford and the Midlands



The Old Music Hall, Oxford

---

## Scotland



Thorn House, Edinburgh

---

## Wales



Hastings House, Cardiff

---

## South Pennines



Green Fish Resource Centre, Manchester



Scotia Works, Sheffield

# Our Managed Centres

---

## London and the South East



Brighton Open Market, Brighton



Resource for London, London



The Foundry, London

---

## The South West



St. Michael's Parish Hall, Bristol



The Unitarian Chapel, Bristol



Bath Quaker Meeting House

---

## Wales

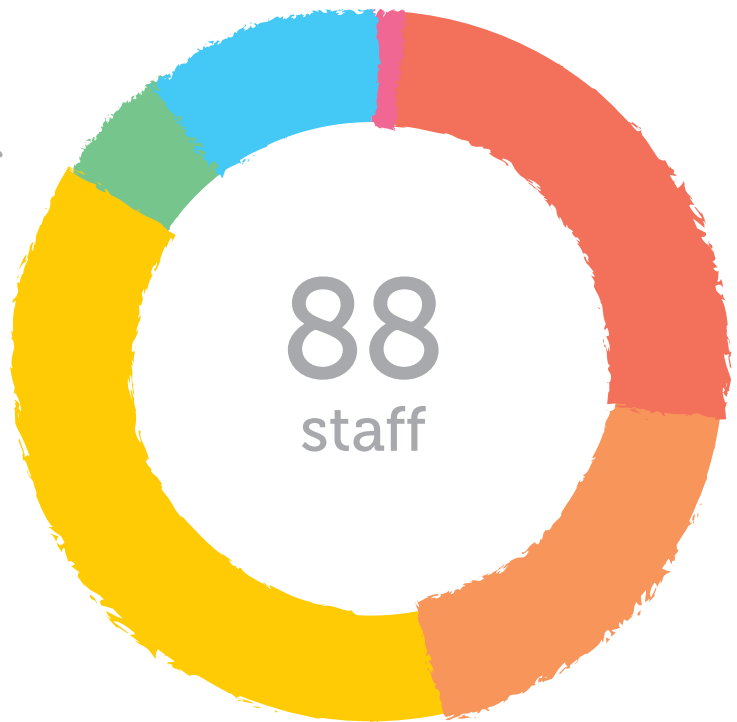


Cardiff Quaker Meeting House, Cardiff



## How our staff travel to work

- N/a – home based – 1
- Walking – 23
- Bicycle – 17
- Public transport – 33
- Car/moped, alone – 5
- Car/moped, shared – 9



A

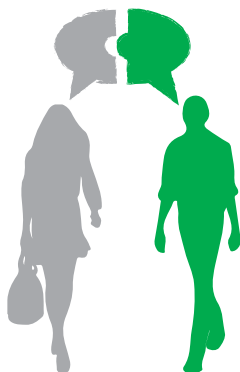
95%

of expenditure on  
business travel was  
on public transport

B



98% of staff who responded said they enjoyed working for the Company and felt they shared the Company's values in whole or in part



80% of responding tenants felt that being surrounded by like-minded organisations in our buildings had a positive impact on their strategic objectives

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

United Kingdom

[www.ethicalproperty.co.uk](http://www.ethicalproperty.co.uk)

Australia

[www.ethicalproperty.com.au](http://www.ethicalproperty.com.au)

Europe

[www.ethicalproperty.eu](http://www.ethicalproperty.eu)

Etic

[www.etic.co](http://www.etic.co)

Ethical IT

[www.ethicalit.net](http://www.ethicalit.net)

The Ethical Property Foundation

[www.ethicalproperty.org.uk](http://www.ethicalproperty.org.uk)





**The Ethical Property Company Limited**  
**The Old Music Hall**  
**106–108 Cowley Road**  
**Oxford**  
**OX4 1JE**

**+44 (0)1865 207810**  
**info@ethicalproperty.co.uk**  
**www.ethicalproperty.co.uk**