

## FINANCE DIRECTOR'S UPDATE

**The cost-of-living crisis is a phrase that we hear daily; everyone is experiencing rising costs, though in reality this affects different people in different ways.**

Our tenants are often at the frontline in dealing with the fallout from the crisis, working day to day with people who are struggling to afford even a basic standard of living. These are organisations who address homelessness, domestic abuse, loneliness and many other issues that have been exacerbated by the difficult economic climate. On page 3 there's an update from the St Pauls Learning Centre in Bristol, which provides affordable services and support for some of the most vulnerable people in the community.

Many people who are facing financial problems due to the cost-of-living crisis are working, but are simply not earning enough to meet everyday needs. As a Living Wage employer, Ethical Property has made a commitment to ensure that all our staff and contractors are paid at least the Living Wage. This is part of our commitment to our social impact, and you can read more about it on page 2.

Since our last update, Astrid Hayles, Head of Assets and lead on the Net Zero strategy, has left Ethical Property. We are grateful for Astrid's years of hard work on progressing the company's environmental goals, and wish her all the best for the future. In this update, Pete Allen, who joins us from Ethical Property Australia, will explain how he plans to take the Net Zero strategy forward (page 4).

In the next few months, you will be receiving the AGM papers and the Annual Report. The AGM will be held in Oxford, and you are welcome to come and join us either in person or online. Please save the date: **15 March 2023**. We look forward to seeing many of you there.

All of us at Ethical Property wish you a happy and healthy Christmas break.

**Cate Teideman**  
*Finance Director*



Our tenants are often at the frontline in dealing with the fallout of the cost-of-living crisis

# PAYING A REAL LIVING WAGE

**At Ethical Property, we are proud to be a real Living Wage employer, and continue to encourage our tenants and suppliers to join this positive movement.**

It is estimated that the UK has 4.8 million workers earning below the real living wage, and now low-paid workers and their families are facing even more hardship due to rising bills. Ethical Property has been an accredited Living Wage Employer since 2013, something that sadly feels even more important now than it did back then.

The real Living Wage is based on the cost of living; it is higher than the government's minimum wage for over-23s (recently rebranded as the National Living Wage). Ethical Property is one of more than 11,000 UK employers who voluntarily choose to pay it, as we believe we all need a wage that meets everyday needs, and recognise that young people have the same living costs as everyone else.

In November, as part of Living Wage Week, we took the time to encourage more employers to become an accredited Living Wage Employer and give their staff the security of a long-term commitment to a wage that will always meet the cost of living. With so many people affected by the cost-of-living crisis, paying the real Living Wage can make a huge difference. To date, the Living Wage movement has lifted almost 400,000 people out of in-work poverty. Find out more at [www.livingwage.org.uk/](http://www.livingwage.org.uk/)



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**THE ETHICAL  
PROPERTY AGM 2023**

**Save the Date...**

**15 March 2023**

Details to follow in  
February 2023

**LET US KNOW  
WHAT YOU THINK**

**We are keen to hear your views on how we can improve and evolve our investor newsletter.**

We would be grateful if you could take the time to complete a short investor survey: [www.surveymonkey.co.uk/r/investor-update-survey-22](http://www.surveymonkey.co.uk/r/investor-update-survey-22)



# SUPPORTING COMMUNITIES IN TOUGH TIMES

**Our centres don't just provide amazing organisations with office space; many also play a vital role in their local communities, offering support to people who need it most.**

St Pauls Learning Centre is Ethical Property's most public-facing centre, and a great example of what we mean by social impact. Based in the heart of St Pauls in Bristol, the centre was originally run by the local council, and was eventually earmarked for closure due to spending cuts. When Ethical Property took it on, it was under-resourced and not providing people with the services they needed. With a lot of hard work and a team dedicated to supporting local people and the wider community, the building is now full of life and fulfilling its true potential.

The centre focuses on wellbeing, education and helping people to get back into work. It is also a place for the local homeless community to wash, charge their phones and get warm, and there is even a choir for people recovering from addiction. The team take a non-judgemental approach to all who come through their doors; this means they sometimes have to work with people who may have mental health or substance abuse issues, which can be challenging. However, their ethos is that everyone who needs the space is welcome and deserves respect and the chance to have a conversation. Their close contact with all those who use the centre means that they have a good sense of the needs of the communities they serve and can find the right people to meet these needs. For example, they recently set up a community drop-in table, with different organisations offering information and assistance on a wide range of issues.

St Pauls Learning Centre caters for people of all generations: it hosts an affordable youth theatre, and there is an evening Ludo club for older people. The centre offers various free services, including health checks for those not registered with GPs, provided by Bristol Health Watch, as well as support with CVs and job applications to help people get back into employment. There are free art-for-wellbeing sessions, which staff can refer people to on a no-questions-asked basis. A wide variety of local groups take advantage of the affordable space; they include the Marmalade Trust, who have been busy wrapping Christmas presents for people who are socially isolated. The centre is also home to the St Pauls Library, the Community Darkroom and the ever popular community café, Glen's Kitchen.

**This is just a glimpse of the huge range of courses, classes, creative activities and community services offered at the St Pauls Learning Centre. To find out more, see: [www.stpaulslc.co.uk/](http://www.stpaulslc.co.uk/)**



With a lot of hard work and a team dedicated to supporting local people, St Pauls Learning Centre is now full of life and fulfilling its true potential.



# INTRODUCING OUR NEW HEAD OF ASSETS AND SUSTAINABILITY



**We are pleased to welcome (back) Pete Allen, who rejoined the company in August as Head of Assets and Sustainability.**

Pete worked for us between 2003-2013, before leaving to establish Ethical Property Australia. In 2020, he moved to Edinburgh to start a company supporting community-led housing and to work as a social impact property consultant, roles which he continues alongside his work for us.

Pete’s breadth of experience enables him to bring a strategic view to the management of our assets and development of our Net Zero strategy. “It’s not really possible to consider the Net Zero strategy as separate from a strategy for the property portfolio,” he says. “In planning how we get to Net Zero, we have to also consider what the portfolio needs to look like in order to deliver strong social, environmental and financial returns. So we are developing a strategy for each building – not only how it will reach Net Zero, but how it will deliver on the social and financial aspects of the triple bottom line as well.”

Pete emphasises the strong position that the company has already reached: “According to RICS and the CRREM (Carbon Risk Real Estate Monitor programme), the average UK office uses around 200 kWh/m<sup>2</sup> of energy and produces around 120 kgCO<sub>2</sub>e/m<sup>2</sup> of carbon emissions per year. In contrast, over the last five years Ethical Property’s buildings used an average of 139 kWh/m<sup>2</sup> per year, and, because of our foundational commitment to renewable energy, produced less than 2 kgCO<sub>2</sub>e/m<sup>2</sup> per year.”

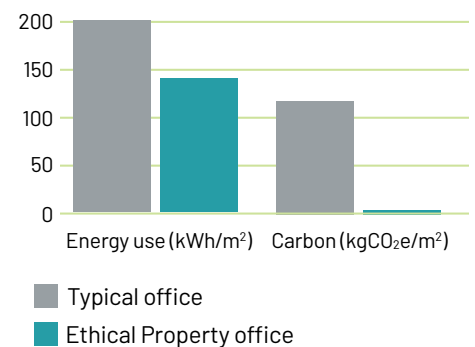
Pete has spent his first few months establishing a baseline for carbon emissions against which we can measure our progress towards a 50% reduction by 2030 and Net Zero by 2040. “At the moment we are only measuring emissions from gas, electricity, wood, water and refrigerants,” he says, “but we will be adding in emissions from travel, waste and other aspects of our business over the next 12-24 months.” There will also be an engagement programme to help tenants, investors and other stakeholders to understand the Net Zero strategy and the role they can play in helping to deliver it.

Reaching a 50% reduction in carbon emissions and then Net Zero will require additional investment. “Some of that investment would be needed to improve the properties, for example improving the insulation or windows, or replacing an old gas boiler with a new electric system for providing heating and hot water,” Pete explains. “We also want to invest in more renewable electricity generation, to help grow the amount of renewable electricity available to the grid. We have done that in a small way so far, by putting solar PV panels on the rooftops of our most suitable properties, but it may require a larger-scale investment to support the UK’s growing need for renewables. This is something we will be exploring further in the next year.”



“We are developing a strategy for each building...”

**Comparison of energy use and carbon emissions in offices**



# FINANCIAL RESULTS

For the year ended 30 September 2022

£'000	Prior year to date (30 September 2021)				
	Quarter	Year to date	Prior year to date	Variance £'000	Variance %
Turnover	1,367	5,404	5,261	143	3%
Cost of sales	(655)	(2,776)	(2,899)	123	4%
<b>Gross profit</b>	<b>712</b>	<b>2,628</b>	<b>2,362</b>	<b>266</b>	<b>11%</b>
Administrative expenses	(423)	(2,036)	(2,176)	140	6%
<b>Operating profit</b>	<b>289</b>	<b>592</b>	<b>186</b>	<b>406</b>	<b>218%</b>
Interest payable	(313)	(1,064)	(985)	(79)	-8%
Other income	0	0	224	(224)	-100%
<b>Loss before tax</b>	<b>(24)</b>	<b>(472)</b>	<b>(555)</b>	<b>83</b>	<b>15%</b>
Occupancy (average)	74%	74%	74%		0%

Please note that these financial results are produced internally and have not been reviewed or audited. They do not include revaluation of property, investments or financial instruments. Audited financial statements are produced annually and are included in the Annual Report.

## COMMENTARY ON FINANCIAL PERFORMANCE

The final audited financial results will be published in the Annual Report and distributed to all shareholders in the AGM papers. The financial information published here is unaudited and gives a high-level indication of financial performance. Figures do not include revaluation of property, investments or hedging instruments.

We continue to see good levels of enquiries translating into regular viewings and sales. The average unit size requested by prospective tenants is increasing, which indicates that organisations are looking for slightly larger offices now that they are able to take a longer-term view of hybrid working requirements. While post-pandemic shifts seem to have largely settled, all organisations will be experiencing escalating baseline costs due to inflationary pressures, which may once again bring office space back into focus. At the same time, the rising cost of heating could increase employees' desire to work more frequently in the office.

Turnover has increased by 3% (£143k) from the prior year due to increased rent and better cost recovery. Cost of sales is 4% (£123k) lower due to careful management of spend, Covid rates relief and insurance savings. There has been an increase in energy costs, which is shared with tenants as appropriate. This has resulted in gross profit being 11% (£266k) higher than in the prior year. We have focused on reducing overheads where possible, resulting in a lower cost of 6% (£140k). We have also benefitted from favourable exchange rate movements from our investment in Ethical Property Europe.

Operating profit is £592k, which is £406k higher than the prior year. However, last year we received £244k in receipts for furlough support. Interest payable is higher than last year due to interest rates; 68% of the lending is hedged with an interest rate swap, so exposure to interest rate increases is limited this year. Overall the loss for the year is £472k, an improvement of 15% (£83k) on the prior year.

**Thank you for your continuing support.**



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