ANNUAL REPORT

2018/19

ethical
PROPERTY

Ethical Property wish to thank the following who have allowed us to use their photographs:

APPEAL p7, Interaction (dps) p9 - 10, Excellent Development p33, Detention Action p37.

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Commissioned photography by Lisa Payne.

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AT A GLANCE

Ethical Property is working to use the property that we own or manage in service of society and the environment. Our vision is to provide space for changemakers, enabling them to make a positive difference in their own communities and beyond.

As a business, we work to a triple bottom line in which paying equal regard to social, financial and environmental performance creates a 'virtuous circle' where increased social and environmental impact leads to stronger and more sustainable financial returns. We see our ethics as empowering our profits.

Formed in 1998, we now support 22 centres in nine cities in the UK, providing space for 296 charities, profit-for-purpose, campaigning and voluntary organisations.

CHAIR'S STATEMENT

SAM CLARKE

Welcome to our Annual Report and to a company very much moving forward. During the year we have been building our Board, our senior management and our strategy while securing the integrity of the company for the future.

Whilst we have seen a year of political uncertainty and continuing austerity, at least the political direction of the country is becoming clearer. As a society we now face a number of economic, social and environmental challenges which make the work of our tenants even more important. In the past year we have seen an increase in demand from organisations working on climate change, campaigning and working for a better society.

For the company, the year has been one of rebuilding and the results bear this out. Filling our flagship centre (The Green House in London), our largest project to date, has taken time, and the costs of this are somewhat balanced by rising property values.

At the 2019 AGM we welcomed three new Board members and are delighted with the contribution these newcomers are making. Early in the year we were also pleased to confirm Conrad Peberdy as permanent MD, after a period as interim, and welcome him to the Board. To supplement the work of the Board, the Audit and Risk Committee and the Nominations and Remuneration Committee operated along with a Property Committee and various working groups. The Board itself met six times during the year, and I am grateful to the Board members for their energy and determination. They were supported by Jamie Hartzell, our founder, taking on a number of specific tasks working alongside the MD.

Over the past year we have also focused on how we see our ethical dimension being managed and safeguarded in the future. Shareholders were invited to complete a survey on their views on how we can ensure adherence to our ethical mission. Following the response, the Board agreed a new set of articles for the company, which were approved at an EGM in November 2019. The company will now report on its ethical Adherence Framework annually. The Quintessentials are now written into the articles and cannot easily be changed. We were delighted by the response to our ideas and are reminded of the very active group of investors we have.

We have previously set out how we want to increase the value of shares to better reflect their true asset value. During the year we developed a liquidity scheme to enable us to buy back shares at a fixed price. We hope this will be a major step forward in setting a more realistic share price, and we expect to launch this later in 2020. This will be an important step towards opening our first public share offer for many years, which we expect to launch in 2021, working with Triodos and Ethex.

Our family members abroad continue their work and we have relinquished our responsibility for their ethical direction. The companies in France and Belgium have adopted a similar means of monitoring the Quintessentials.

We have also agreed to change back to a PLC, the status we had until 2010. This is a good indication of our feeling about the future of the company. We are determined to contribute to the creation of a net zero society and to increase our social impact whilst operating as a sustainable business. Our emerging strategy will show how we can develop our property portfolio to serve new social change tenants; and we believe there are many more ethically minded investors who will share our vision and invest. We look forward to welcoming them, and thank our current (and very loyal) investors for their trust in us.

MANAGING DIRECTOR'S UPDATE

CONRAD PEBERDY

It has been an exciting year of change and development. This includes welcoming new members to our Board of Directors, building the Senior Management Team, taking on two substantial projects and developing a new strategy that sets out our aims and priorities for the coming years.

Having recently taken on the role as Managing Director, one of my priorities was to develop our strategy. As a first step I consulted with a wide range of tenants, investors, staff and partners to understand how we should grow our impact and better meet their needs. This has formed the backbone of our new strategy and informed our priorities for the year.

The key highlights of the year include:

DELIVERY OF NEW PROJECTS

We successfully set up two new centres during the year: The Green House (London) and Streamline (Bristol). These projects are enabling us to support more groups, within significantly better environmentally performing buildings. In the short term this has increased operating costs as we take on additional liabilities, but once they are both fully let it will help us to generate more income. I am pleased to report that we are already making good progress on letting these new spaces to a range of highly impactful organisations.

INVESTING IN OUR PORTFOLIO AND IMPROVING OUR OFFER TO TENANTS

From listening to our tenants, we have focused on how we can better enable them to achieve greater impact. This has resulted in a series of improvements to our portfolio and offer. These include significant investment in upgrading our IT infrastructure, installing new video conferencing facilities, improvements to communal spaces as well as investment in safeguarding our assets.

IMPROVING OUR OFFER TO INVESTORS

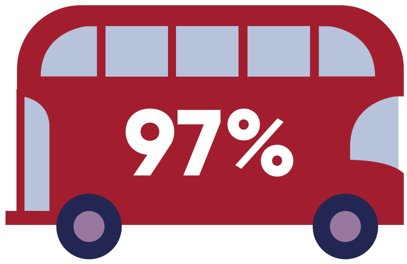
We have also focused on how we can improve our offer to investors. We have been working in partnership with Ethex and Triodos, who are supporting us with our plans to increase dividends, improve liquidity of shares, raise further capital and – importantly – ensure our offer meets investors' priorities to deliver greater impact. In order to make it easier to buy and sell Ethical Property shares we intend to launch a new liquidity scheme, using the Ethex platform, later in 2020. Our current plan is then to launch a share offer in April 2021 that will enable us to fund further impact.

SOCIAL PERFORMANCE

This year we supported over 1,100 charities, social enterprises, small businesses and not-for-profits through the provision of office, conference, meeting, event, educational, studio and retail space. In total we housed 296 organisations as tenants, 78% of whom feel we manage to make a wider social impact, while 89% agree that we offer good value for money.

ENVIRONMENTAL PERFORMANCE

We are committed to improving the environmental performance of our buildings and the company. We are currently working to a target of 170kW per square metre, and we are pleased to report that most of our centres are now achieving this. For those that aren't, we are making further improvements. In the past year, we replaced the lighting in Oxford and installed solar panels at Hastings House in Cardiff as well as Green Fish in Manchester. In Edinburgh's Thorn House we are continuing the ambitious programme of increasing the energy efficiency by removing, repairing and reinstating the original windows. In 2018/19 we achieved our target of moving the majority of our buildings from mixed fuel-based usage to 100% renewable energy sources, and the two remaining buildings will be brought onboard in the coming year. The increase of solar panels across our portfolio has meant that we are now generating 1.4% of our energy usage. We are also pleased to report that 97% of business travel expenditure was on public transport, and the vast majority of our people travel to work via sustainable methods.



Business travel by public transport

FINANCIAL PERFORMANCE

The financial performance this year has been dominated by the completion of our new projects; this has resulted in a lower operating profit of £608k. Interest payable costs were £839k higher, as the two new buildings were completed during the year so less interest was capitalised. This is a short-term situation as we now have an additional 39,000 square feet of lettable space to grow future profitability.

The value of the properties increased by £2,114k and profit before tax increased by £386k. Net assets are £45,308k and net asset value per share is £3.04. Dividends of 3 pence per share and 3.5 pence per share were also paid during the year.

Whilst we still have a long way to go in terms of addressing some of society's biggest challenges – climate change, social exclusion and economic inequality – we have made progress and continue to demonstrate the importance of social businesses. This would not be possible without your continued support, as investors, staff, tenants or partners, so thank you.

CHALLENGING INJUSTICE

APPEAL
- THE GREEN HOUSE, LONDON

"Every day, we face an uphill battle against a British justice system which is in denial about its faults. We act as a lifeline to the prisoners we represent, who have been sent to prison for crimes they did not commit, and their families."

EMILY BOLTON, DIRECTOR, APPEAL

APPEAL is a pioneering non-profit law practice that fights miscarriages of justice and demands reform. It is based on the US model for achieving social change, whereby lawyers, campaigners and the people directly affected by a particular social challenge work together in one organisation to use legal casework to drive reform.

Our strategic approach tends to be reflected through the prism of the US Bill of Rights and the progressive criminal justice reforms that have flowed from it.

Part of the challenge we face is the traditionalism and segregation of the legal profession in this country and the barriers that this throws up between the judged and the judges, and between the accused and the evidence needed to present a defence.

We moved to The Green House in 2019, having previously camped out in office space donated or discounted for us in central London. Moving away from the traditional "legal district" to being in The Green House surrounded by charities focused on social change has been a huge boost to our morale as an organisation.

What is more, we have been inspired by the community around us here in East London to make it the base for what comes next. APPEAL is the first step in our longer journey towards bringing a non-profit, community-based model for criminal defence to this country, based on the holistic, investigation-focused law practices in the States, such as Bronx Defenders.

Ethical Property, watch this space. After all, you let it to us...

www.appeal.org.uk

STRATEGY

Our vision is to become the go-to place for changemakers – tenants, investors, partners and staff.

We believe that property should be used in the best interest of society, the planet and the economy. We strive to bring changemakers together under one roof to achieve greater impact. This includes our own staff, organisations working towards a better future, and socially conscious investors that are looking to achieve social, environmental and financial returns.

Our aim over the next five years is to operate a financially sustainable and profitable business that delivers significant triple bottom line impact on the three main challenges facing contemporary society, with a focus on:

» Supporting the creation of a more inclusive society – by promoting equality of opportunity.

» Tackling climate change – by working towards a carbon-neutral planet.

» Building a more sustainable economy – by promoting new economic ways of thinking and supporting enterprises that have clear community benefit.

We intend to achieve this by:

Enabling changemakers to achieve greater impact. We work with some of the country's most innovative and dynamic organisations, supporting them by providing workspace that enables them to achieve more. This includes offering the right space on fair terms, and providing a high-quality property and facility management service that allows them to focus on their objectives. We create a supportive environment that enables them to collaborate, share resources and become part of a wider community of changemakers.

Developing a national network of centres that acts as a catalyst for change. This will help us to meet the growing demand for our services and increase our ability to house more changemakers and support more communities. It will also allow us to achieve greater economies of scale.

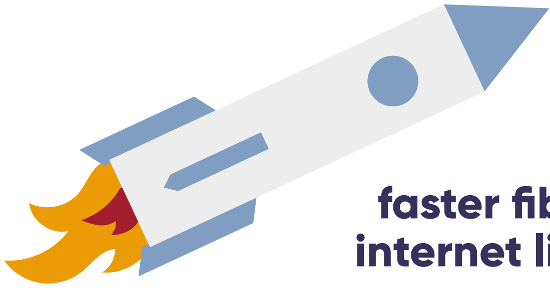
Enhancing our offer to investors. Our aim is to become an investment that all impact investors would like to own. We intend to achieve this by offering a fairer financial return alongside social and environmental benefit. We will focus on improving shareholder liquidity, increasing the trading price of shares to better reflect their true value, increasing dividends, delivering more demonstrable impact, and launching regular share offers that enable us to raise additional capital to fund further social change.

Becoming nationally renowned. We aim to significantly increase our profile in order to attract organisations that are delivering the greatest impact, staff who share our values, investors that want to make a difference, and partners that want to increase the social and environmental returns from their assets. We also want to influence the wider business community to do more to tackle the challenges that face society.

Developing the organisation. We aim to maximise our triple bottom line impact and to consider this in everything that we do. We have already begun to take steps to safeguard the mission of the company and have developed a new Adherence Framework that we will continue to evolve to ensure we are focusing on the right measures and performance targets. We will look to drive greater economies of scale and improve our capacity to deliver on our objectives.

WHAT WE ACHIEVED IN 2018/19

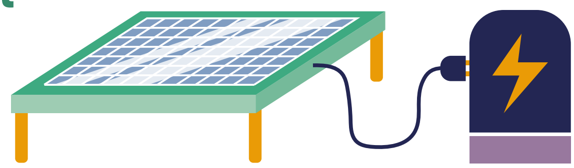
During the year we concentrated on improving our offer to our tenants and implementing several projects to reduce our impact on the environment.



faster fibre internet lines

OVER 1,100

conference, event, market and educational users hosted across 22 centres and 296 tenant organisations



solar panels installed at Green Fish (Manchester) and Hastings House (Cardiff)

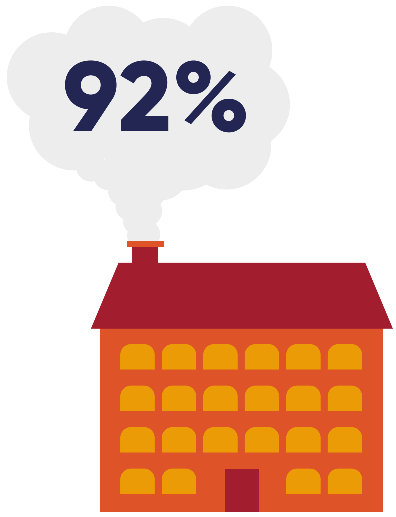
78%

of tenants say we're

GOOD or EXCELLENT

at representing their values

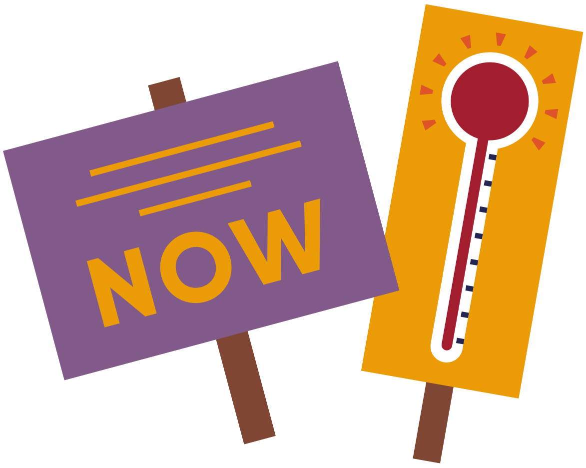
92%



total occupancy across our centres*

*NOT INCLUDING STREAMLINE AND THE GREEN HOUSE

most ambitious projects to date became operational



tenants and staff around the country took part in Global Strikes for Climate Action

GENDER PAY GAP

-1.6%

IN FAVOUR OF WOMEN

REACHED

180,000ft²

total workspace by end of October 2019

89%

energy from renewable sources

REGIONAL REPORTS

MIDLANDS, NORTH AND SCOTLAND

This is our most dispersed region, with just one property in each of the four locations – Edinburgh, Manchester, Sheffield and Oxford. Regional Manager Jonathan Macaskill reflects on the year's highlights and challenges.

We saw some major improvements in our buildings last year, particularly in terms of IT and energy use. We were really pleased to complete the installation of an array of solar panels at Green Fish in Manchester, something we've been planning to do for a long time. This has already made a real difference in reducing our energy consumption over the summer months.

"The IT upgrade has been a real win."

We've always had problems and frustrations with IT, so the upgrades over the past year were very welcome. This included the major refurbishment of the Comms Rooms at the Old Music Hall in Oxford and at Green Fish in Manchester, and additional capacity in all the buildings. We're now able to offer the tenants faster connections and greater security – so it has been a real win.

We also managed to resolve the complicated energy supply situation at Thorn House in Edinburgh. This has always been quite unusual, in that we owned part of the building but didn't have our own supply or access to the meters, so we had to rely on the retailers on the ground floor to invoice us. During the year, we were finally able to put in place our own separate gas and electricity supply. This meant digging up one of the busiest retail streets in the city, so it's been quite a job! It's been well worth it though, as we will now be able to control where our energy comes from and how much we use.

SOUTH WEST AND WALES

This region encompasses Bristol, Bath and Cardiff and has some unique and unusual buildings. Regional Manager Sarah Campbell reflects on the achievements of 2018/19.

In March 2019 we had an exciting addition to our portfolio when Streamline, a beautiful new build in an Art Deco style, opened its doors in Bristol. We wanted to make it as accessible as possible and the teams from Bristol and Oxford worked really hard, with attention to the tiniest detail, so that no matter what your accessibility needs you'd be able to use and feel comfortable in the building. By the end of the year Streamline was about a third full, and the new tenants absolutely love it. Being purpose built and high-spec, it is an excellent example of what we want to be able to provide. The challenge now is to fill the remaining space with tenants who can make the most of what it has to offer.

"We took on St Pauls with the belief that we could turn it around."

Another highlight was that St Pauls Learning Centre, also in Bristol, finally made a positive financial return. We took the centre on from Bristol City Council in 2015, as they had been struggling for some time to make it economically sustainable and the building was under threat. St Pauls was never about making a profit – the aim has always been to provide the access to opportunities that the community desperately needs and wants. The centre manager has been really proactive in targeting teaching organisations to come and run training courses. The focus is mainly on pathways to work, but Bristol University also runs courses, reaching people from marginalised communities who wouldn't otherwise even consider higher education. We also have over 100 children of Somali origin attending *Qaalid*, a supplementary school that runs six days a week.

We took on St Pauls with the belief that we could turn it around, which has been achieved. We've increased our offer, and the knock-on effect is that it reached break-even, so it's a real win-win. St Pauls also provides support for refugees, we've got a woodwork studio, a photographic suite, and we have a café run by a prominent member of the African-Caribbean community.

"There are an awful lot of challenges, but there are always solutions."

It was also a good year for Hastings House, in Cardiff. Since we bought the building in 2015 it has been a challenge to fill it with tenants who meet our criteria, largely because we had limited profile in Wales. By the end of the year it was almost full, with a great range of tenants including Terrence Higgins Trust, The Big Issue, Wales Council for the Blind, Family Action and the Fire Brigades Union.

Green Park Station in Bath – an old Victorian train station, with a huge glass-domed roof over a market square – has had its fair share of ups and downs over the years. Some of its shops and restaurants have been trading for decades but were under threat in a very difficult retail environment. We've managed to significantly increase footfall, primarily by creating more space for traders and improving how it looks, with plans for further improvements in 2020.

I've been with Ethical Property for eight years now, and every year is different from the one before. There are an awful lot of challenges, but there are always solutions. With St Pauls, for example, it's been a huge challenge to make it sustainable – but that makes the achievement all the more rewarding.

There are a number of challenges and opportunities in the year ahead, not least the fact that at the end of last year three of our region's four property managers moved on to pastures new. We were sorry to lose them, but look forward to our three new team members bringing their skills and experience to the organisation.

When I joined Ethical Property three years ago, there were quite a few office vacancies in our buildings, including some very persistent ones. Last year we managed to fill all the buildings, and keeping those filled remains a priority. We've always worked to improve the standards of our properties and the tenant offer with restricted resources, and that challenge continues. Alongside upgrades to toilet and kitchen facilities, there is a programme underway for replacing the windows in Thorn House – a fairly major undertaking, given the building's age and location. There are about 100 windows in all and each one has to be removed, refurbished, painted and put back in.

"We're a business – we want it to run efficiently and effectively, but we do it for a reason."

Ethical Property is great to work for – everybody is really engaged, and we have the autonomy to make things happen. And at the end of the day, it makes a difference. We're a business – we want it to run efficiently and effectively, but we do it for a reason.

SOUTH EAST

It's been a massive year for the South East (London and Brighton) region, with the completion of the biggest project we've ever undertaken as Ethical Property, reports South East Regional Manager, Ed Carter.

With The Green House, we've transformed a derelict concrete office block in Bethnal Green and turned it into an inspiring, eco-friendly workspace with stunning communal spaces using sustainable building techniques. We were delighted that this was recognised with the announcement that it had won 'Architects Journal Retrofit Award for Offices 5,000m^2 and over'.

"One of the things that makes us a bit different is that we don't just provide a 'vanilla' workspace but give tenants freedom to get it exactly as they want it and make it their own."

For example, one of our newest tenants at The Green House is Beryl, a dynamic social enterprise which is working to get Londoners back on their bicycles. They've taken over the whole top floor, creating a unique and exciting space that reflects their culture and identity.

The Foundry and Resource for London, our two management contracts in the capital, have each had a very successful year overall and a record year in terms of their conferencing facilities. We're getting more and more people into the buildings and we're seeing lots more returning customers. It's great to see both centres reaping the benefits after several years of effort. Tenants and staff came together to celebrate The Foundry's fifth birthday in September, with a performance from The Wyvil Wings Steel Band and talks from our MD, Conrad Peberdy, Chair Debbie Pippard and the original architect, Lynton Pepper.

It's also been a busy year for tenants at Brighton Eco Centre, which houses organisations working on environmental change, including Greenpeace and the Ecological Land Cooperative (see page 35). Within Brighton Open Market we continued to provide low-rent space to artists, photographers, weavers, art therapists and more, who between them offer a wide range of classes and support to the local community in what is a very vibrant creative scene.

Going forward, we need to press on and complete the filling of The Green House; it's also important that we focus on our other properties - for example we'll be doing a refresh of the communal space and facilities at the Grayston Centre, and creating a better outside space at Brighton Eco Centre.

REPORTING

During the year the Board and leadership team worked on a project to enable us to report on adherence to our Quintessentials. The Adherence Framework was launched in October 2019. With this year's Annual Report we are in a transition period, as we move between the previous practice and that of the new framework.

OUR SERVICES AND COMMUNITY

We are proud to support a diverse range of tenants within our properties, who are working hard make a difference to society and the environment in the UK and worldwide.

ORGANISATION TYPE	% OF TOTAL
Registered charity	51.0%
CIC	2.4%
MP local office	0.3%
Other not-for-profit (non-trading)	10.1%
Trading organisation	34.1%
Trade union	1.0%
Political party	0.3%
Public body	0.7%
Total	**100.0%**

AREA OF WORK	% OF TOTAL
Animal rights	0.3%
Civil rights	0.7%
Community arts	7.4%
Community development in the UK	11.1%
Environment	10.8%
Ethical finance	0.7%
Global justice	2.7%
Health	13.9%
Homelessness	2.7%
Human rights	8.4%
International development	8.1%
Local business	9.8%
Mainstream business	4.1%
Organisational support	11.8%
Peace and conflict resolution	3.0%
Refugee and ethnic minority issues	2.7%
Women's rights	1.7%

We welcomed new tenants to our latest centres in Bristol (Streamline) and London (The Green House).

BUILDING	NUMBER OF OCCUPANTS	(OF WHICH ARE DESK LICENCES)	MOVES IN	MOVES OUT	GAIN/LOSS	EXPANSIONS	REDUCTIONS
Bath Quaker Meeting	(contract closed)		0	2	-2	0	0
Brighton Eco Centre	10	0	2	2	0	0	0
Brighton Junction	15	11	2	3	-1	3	1
Brighton Open Market - Workshops	12	0	2	2	0	0	0
Brunswick Court	16	1	2	1	1	0	2
Colston Street Centre	17	0	2	1	1	0	0
Durham Road Resource Centre	7	0	1	0	1	0	0
Grayston Centre	10	0	2	5	-3	1	0
Green Fish Resource Centre	11	5	1	4	-3	2	0
Green Park Station Market	7	0	1	2	-1	0	0
Green Park Station Shops	13	0	1	0	1	1	0
Green Park Station South Vaults	6	0	1	3	-2	0	1
Hastings House	9	0	1	0	1	0	1
Picton Street Centre	7	0	1	1	0	1	1
Resource for London	21	0	5	1	4	2	1
Scotia Works	11	1	3	2	1	0	1
St Michael's Hall	(contract closed)		0	3	-3	0	0
St Pauls Learning Centre	12	0	1	0	1	1	1
Streamline	4	0	4	0	4	0	0
The Foundry	28	0	2	4	-2	2	0
The Green House	31	0	18	3	15	8	1
The Old Music Hall	28	6	2	2	0	3	1
Thorn House	19	0	1	1	0	3	1
Unitarian Chapel	2	0	0	0	0	0	0
Total	**296**	**24**	**55**	**42**	**13**	**27**	**12**

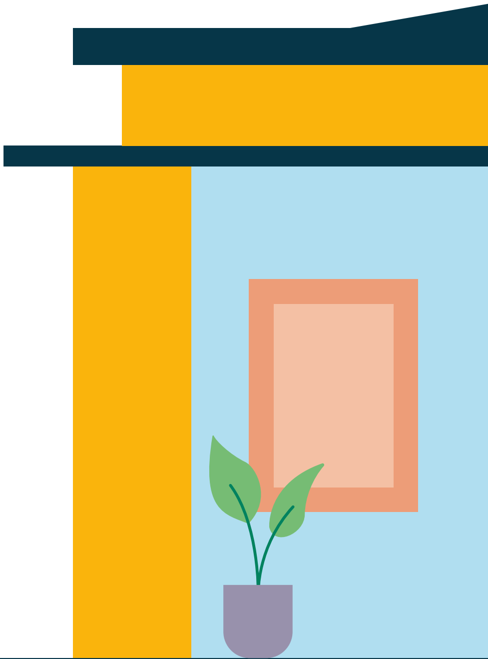
LISTENING TO OUR TENANTS

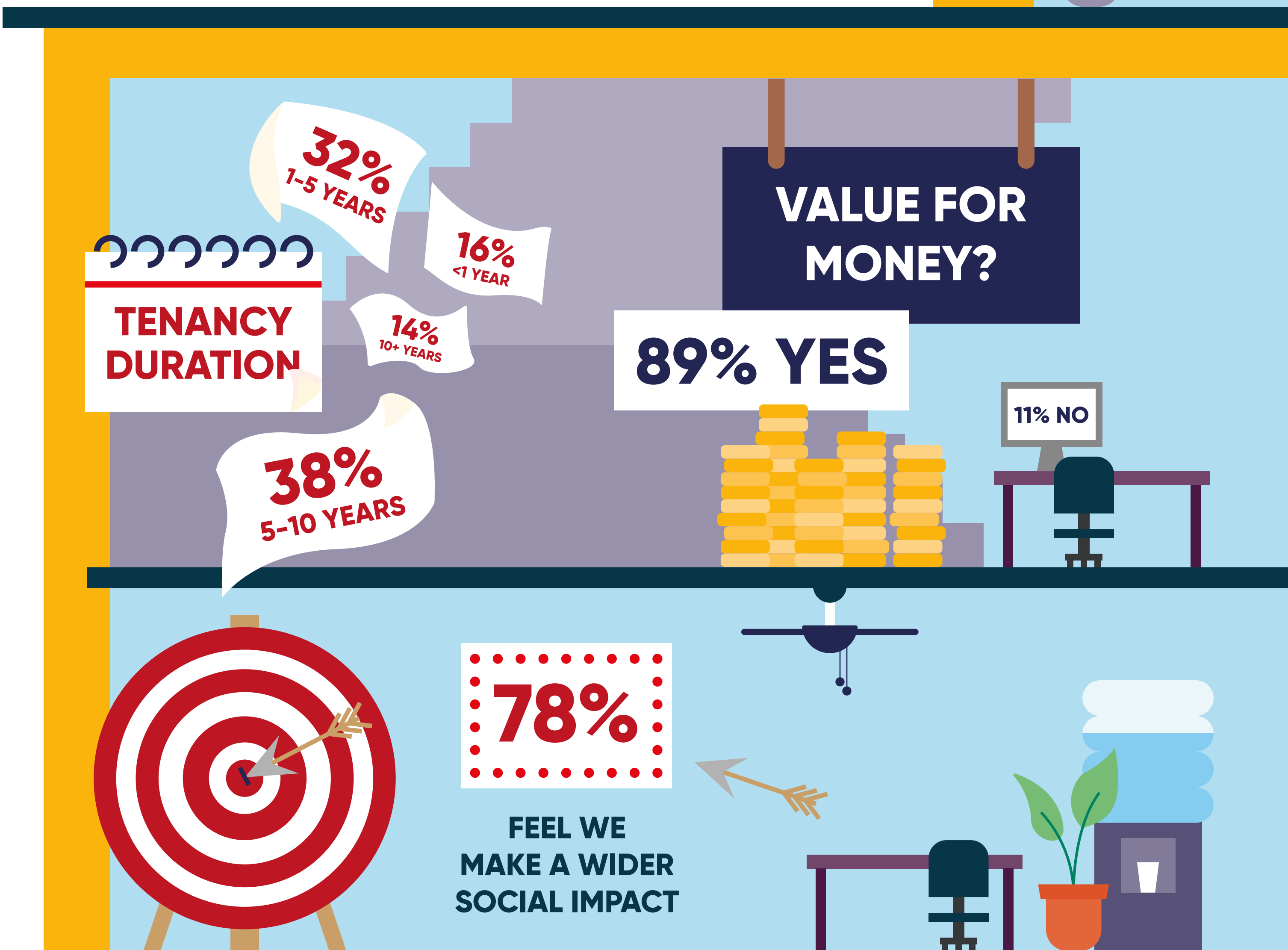
As part of our commitment to our tenants, every year we ask them for feedback. It's very encouraging to see that our tenants feel we help to make a difference and that we offer value for money.

- 78% of tenants said our centres are 'good' or 'excellent' at representing their values.
- 89% of tenants said we offer value for money.
- 78% of tenants feel we make a wider social impact.
- 73% of tenants said they would recommend us to other organisations.

"We moved to The Green House in 2019, having previously camped out in office space donated or discounted for us in central London. Moving away from the traditional 'legal district' to being in The Green House surrounded by charities focused on social change has been a huge boost to our morale as an organisation."

EMILY BOLTON, DIRECTOR,
APPEAL, THE GREEN HOUSE (SEE PAGE 7)





ALL DATA TAKEN FROM THE 2019 TENANTS SURVEY; THE % SHOWN IS OF THOSE WHO RESPONDED

STIMULATING AND SUPPORTING SOCIAL INNOVATION

THE MELTING POT
- THORN HOUSE, EDINBURGH

The Melting Pot was the first co-working space in Scotland. When we opened our doors over 12 years ago, hardly anyone had even heard of co-working. Workspaces designed to meet the needs of people from a spectrum of organisations, sectors and disciplines were a new phenomenon. But the world of work has changed. Technology allows people to choose when and where they work and the type of employment available is increasingly part time or freelance.

Co-working spaces like The Melting Pot were born out of the need for community felt by people in non-traditional employment. Since opening one of Europe's first co-working businesses we've been providing a wide range of practical resources and support to help people and organisations realise their ideas for a better world, in a diverse, supportive community. We share our co-working methodology with other spaces around the world, enabling co-working practitioners across the globe to deliver positive social impact in their communities.

During the year we spent some time investigating the social impact of The Melting Pot for our Members. This found that co-working here helps increase equality, well-being and the impact our Members make. If you would like to read the full report or find out more, visit **www.themeltingpotedinburgh.org.uk** or get in touch at hello@coworkingaccelerator.network

IMPROVING THE TENANT OFFER: IT

The 2018 tenant survey was positive in several key areas, with strong affirmation regarding our wider social impact and value for money. However, tenants in a number of our centres gave a clear message of dissatisfaction on IT provision. As a result, our key focus in 2018/19 has been implementing changes to our IT provision for all tenants, properties, workspace and staff.

We started by tendering for a new managed service provider for all IT services, connectivity, telephone systems, monitoring and support. We also made a conscious decision to increase our in-house IT capability by recruiting a new role of IT manager in January 2018 – just in time for the final stages of the tender process.

In February, we selected a new managed service provider: they are the right size company, with a strong service ethos and a broad range of engineers to support our upgrade and refresh programme. They spent the first part of the year visiting each building to audit and document existing infrastructure and make recommendations for upgrades.

Handover from Ethical IT was successfully completed in May. It was recommended that all network equipment and phones are replaced over the next two years, at a cost of £360k. With priorities and improvement plans agreed, new budgets were allocated for investment in infrastructure across the Ethical Property estate.

FASTER, SAFER, MORE SECURE SYSTEMS

Ethical Property has contracted directly with a business internet provider to deliver all future line upgrades, and we expect a comprehensive installation and upgrade programme to be completed by March 2020. As part of a prioritised rolling programme, we completely refreshed and replaced all switches, firewalls and the UPS (uninterruptable power supply) in the Comms Room equipment in three centres where recurring issues were reported in 2018. Comms Rooms in 10 sites now have CCTV which records activity and sends notifications to the property manager when someone accesses these secure areas.

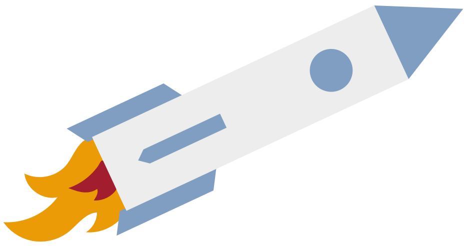
FURTHER UPGRADES IN THE PIPELINE

Our new IT Manager, Jason Friedman, is working on ways of using technology to improve the overall tenant experience and keeping facilities up to date, introducing the technology upgrades that people expect to have access to in a connected workplace. More sites will receive video conferencing facilities and improved WiFi coverage over the coming year. There are challenges ahead, but Jason is enthusiastic:

"2020 will be a busy year, with further essential upgrades planned across most sites allowing us to offer robust connectivity to our tenants. To improve reliability and reduce hardware costs we will move over to cloud-based systems and will be implementing new future-proof collaboration tools for staff and tenants."

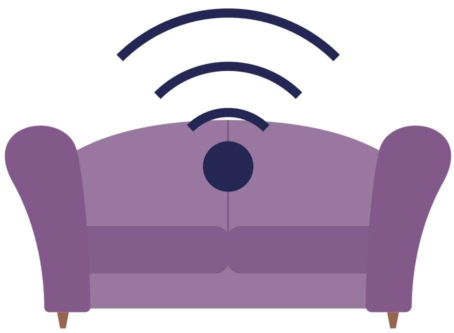
JASON FRIEDMAN, IT MANAGER, ETHICAL PROPERTY

High-quality video conferencing facilities



Faster fibre internet lines

Comms Room upgrades



WiFi in communal spaces

ENCOURAGING SAFE WHISTLEBLOWING

Protect
Speak up, stop harm

PROTECT
- THE GREEN HOUSE, LONDON

Carillion. Midstaffs. Grenfell. WikiLeaks. Boeing. The Trump impeachment inquiry… just some of the many high-profile scandals that have rocked society. But would they have happened if healthy speak up/listen up cultures existed? We'll never know. What we do know is that the role whistleblowers play in an organisation and society as a whole is invaluable.

Protect is the UK's leading whistleblowing organisation. Since we formed back in 1993, we have supported approximately 40,000 whistleblowing cases. Protect, formerly known as Public Concern at Work, helped to shape the UK's whistleblowing law and we continue to campaign for improvements to the law. We have sought to change the culture that labels whistleblowers as snitches and troublemakers. We know it is a very difficult thing to speak up, to stop harm. But we are grateful that so many people do.

Every year, our advice line supports 3,000 cases. Calls vary from care-home workers worried about the well-being of residents, teachers worried about how money is being spent in their school, bank staff facing money laundering concerns, factory staff unhappy over the safety of products, hospital patient safety… we could go on.

As well as helping whistleblowers, we support organisations with best practice on whistleblowing, advising them on how to instil healthy 'speak up' cultures. We want to see organisations play a bigger and better role when it comes to whistleblowing, and we want to put a stop to victimisation of those who speak up.

Protect was instrumental in lobbying for the UK's whistleblowing law, the Public Interest Disclosure Act (PIDA) 1998. But we recognise that this law needs an urgent update. We want more people to be protected for speaking up about wrongdoing. This year, the EU Directive on whistleblowing was rubber-stamped, which will see European states have whistleblowing legislation in place by 2021. The UK, once a world leader in whistleblowing, cannot be left behind.

A House of Parliament debate on whistleblowing took place in the summer of 2019. Former MP Norman Lamb pointed out the many groups that are still not covered by the current law, and asked the House, "If a company thinks that someone has spoken out, even if they have not, and does something like dismissing them, that person has no rights under the legislation because they are not actually the whistleblower. That is a ludicrous situation." We agree.

Protect has drafted a new whistleblowing bill, and we will be ramping up our lobbying activity over 2020 to ensure whistleblowing is pushed to the top of the political agenda.

www.protect-advice.org.uk

TENANT COLLABORATION AND COMMUNITY ENGAGEMENT

Ethical Property does more than provide a workspace. Bringing a wide range of like-minded organisations together under one roof can create all kinds of opportunities for collaboration, community connections and social impact. Here are some examples of this synergy in action at The Foundry in Vauxhall, London.

In April, Year 9 students from local schools came to meet some of our tenants for an active citizenship event around the value of promoting equality. Teams each chose a charity from The Foundry, based on what they thought is important and will have a positive impact. They then pitched this to their classmates at a 'Dragon's Den' style event in May, with the winning team donating its £1,000 prize money to its chosen charity, AVA (Against Violence and Abuse). It was great fun for everyone involved and enabled The Foundry to engage with the local community and raise students' awareness of a wide range of issues.

Over the summer, the Ethical Property team organised a 'Big Clothes Swap' for World Refugee Day in June, with donations going to the Refugee Council to support refugees and asylum seekers in the UK, and to Goods for Good, who send clothes to refugees around the world. In July we joined the 'Plate Up for the Planet' environmental campaign, launched by the Vegan Society, to encourage our tenants to try a seven-day vegan challenge and raise awareness of the negative environmental impact of animal agriculture. Tenants engaged with environment-friendly farmers, took part in activities and enjoyed delicious vegan foodie giveaways over a series of lunchtime sessions.

Other events included The Foundry's first 'Well-being Week', giving tenants the opportunity to take part in activities ranging from Pilates and yoga to boxing and hula hooping, with awareness sessions on different ways to look after their well-being. The Foundry tenants also joined with our local team to support the Global Climate Strike on 20 September. They made banners and marched to Parliament Square together, joined by local people.

Our tenant Orchid Project started a new networking group in the building, mainly to discuss Operation and HR matters, but also to share good practice and ideas, in a bid to make the most of The Foundry as a hub and to take advantage of opportunities for joint fundraising and campaigning. The group meets once a month, with The Foundry providing the space and refreshments.

OUR EMPLOYMENT PRACTICES

LISTENING TO OUR STAFF

Ethical Property benefits from a talented and dedicated team who really believe in the work we do. This commitment was reflected in our 2019 staff survey, with over 90% of staff saying they agree with our values and enjoy their work.

Our staff conference in June gave staff an opportunity to input into our strategy. The team broke into smaller groups, looking at everything from how we source our supply chain through to the impact of high street closures.

We know that we need to do more for our staff, and in the coming year we will be concentrating on improving our remuneration and providing more training.

feel involved/aligned with the company

agree or mostly agree with our company values

enjoy working for Ethical Property

feel they can apply their talents and expertise at work

are satisfied with the working culture

CLOSING THE GENDER PAY GAP

We strongly believe in job opportunities for everyone. We are committed to balancing our gender representation and supporting all colleagues in the workplace, for example by encouraging flexible working where possible. That's why we're proud to report an overall median gender pay gap of -1.6%, compared to a national average median gender pay gap of 18.4%. This means that on average, when we look at wages, women earn slightly more than men; this is partly due to the number of women in middle or senior management roles. We make a point of promoting colleagues on merit, regardless of gender, and we fully intend to keep up this great work.

GENDER PAY GAP

-1.6%

IN FAVOUR OF WOMEN

"You don't find a job like this everywhere."

– LINA'S STORY

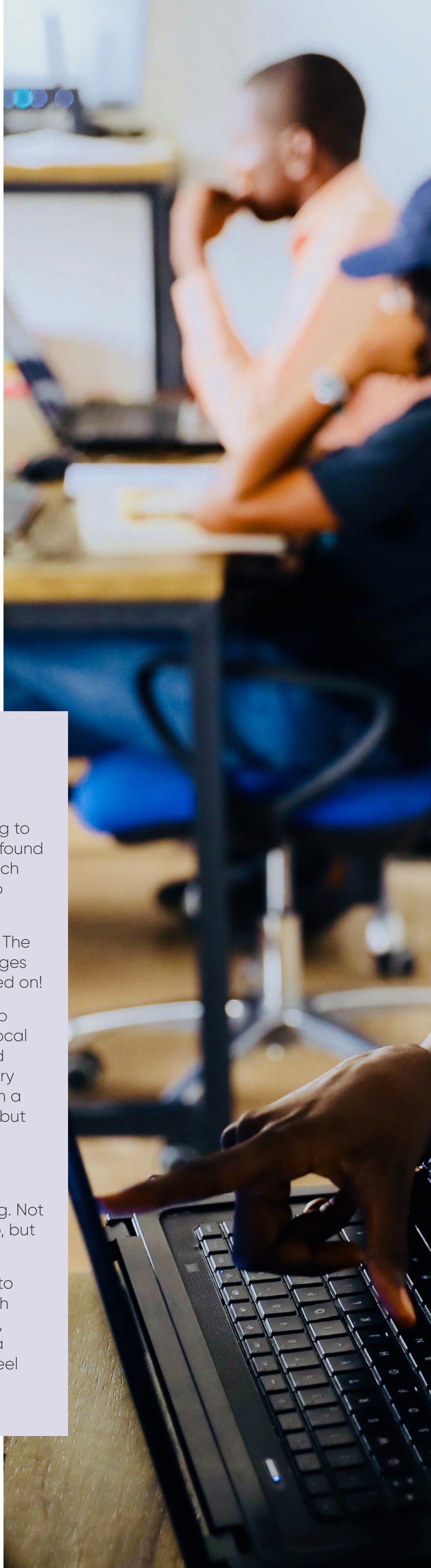
Originally from Colombia, Lina and her family lived in Spain before moving to the UK following the economic crisis. After just one month in the UK, Lina found a full-time role as a cleaner through a friend at Development House, which was owned and managed by Ethical Property. She met Edith, who is also Colombian, and they became good friends.

Shortly afterwards, Lina moved on to a cleaning role in our new building, The Foundry, which had just opened in Vauxhall. She says this had its challenges as much of the space was still a building site, with snags still being worked on!

Lina wanted to improve her English, so she asked Ethical Property for help with lessons. Ethical Property paid for a two-month English course at a local college, which she says was very helpful. In 2019, Lina successfully applied for the role of full-time receptionist in The Foundry. She is enjoying this very much and says it's totally different from her role as a cleaner: "It has been a challenge with my English, communicating with a lot of different people, but interacting with 200-plus visitors each day is helping to improve it!"

Lina has now been studying English for four years, and Edith has been pushing her to succeed. As well as working full-time, Lina has also been taking a course on business administration, bookkeeping and accounting. Not surprisingly, it has been hard being so busy with lessons on top of her job, but Lina is very motivated.

She wants to continue to improve her English, and ultimately would love to work in accounting – ideally in Ethical Property! Lina has now worked with Ethical Property for five years. She likes it here because of the philosophy, our inclusivity, the fact that we aim to be eco-friendly and that we pay a fair wage to staff. "You don't find a job like this everywhere" Lina says. "I feel comfortable here. I like interacting with the tenants."

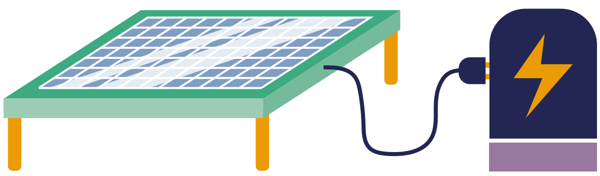


OUR ENVIRONMENTAL IMPACT

While we cannot eliminate the environmental consequences of our activities, we are committed to minimising their negative impacts.

During 2018/19 we continued to focus on improving the environmental performance of our buildings. We are currently working to a target of 170kW per square metre, and we are pleased to report that most of our centres are now achieving this. For those that aren't, we are making improvements to lighting and boilers, tying this in with Lloyds' 'Clean Growth Finance' initiative, which provides discounted lending to help businesses invest in green upgrades.

In 2019, we replaced some of the lighting in The Old Music Hall, with a view to this being a trial before we change the lighting in our other centres. We installed solar panels at Hastings House in Cardiff and at Green Fish in Manchester, while in Edinburgh's Thorn House an ambitious programme is underway to improve the energy efficiency of its many windows.



REDUCING OUR ENERGY USE

Over the last 12 months we have tried to minimise our energy consumption in all of our buildings by looking at improving areas such as lighting. We had an issue in The Foundry with the heat recovery system, which is now being addressed.

PROPERTY	TREATED FLOOR AREA (TFA) (M^2)	MAINS ELECTRICITY CONSUMPTION 2018/19 (KWH PER M^2)	EPC-GENERATED (SOLAR) ELECTRICITY CONSUMPTION 2018/19 (KWH PER M^2)	GAS CONSUMPTION 2018/19 (KWH PER M^2)	WOOD CONSUMPTION 2018/19 (KWH PER M^2)	TOTAL CONSUMPTION 2018/19 (KWH PER M^2)	WATER CONSUMPTION 2018/19 (CUBIC METRES PER M^2)
Brighton Eco Centre	345	27.9		77.9	0.0	105.8	0.30
Brighton Junction	1000	68.7		20.9	35.7	125.3	0.55
Brunswick Court	2082	57.5	3.9	72.7	0.0	130.2	0.49
Colston Street Centre	781	32.2		67.1	0.0	99.2	0.39
Durham Road Resource Centre	486	48.9		107.5	0.0	156.3	0.41
The Foundry	4545	94.2		82.9	0.0	177.1	0.38
Grayston Centre	1312	145.4	2.5	43.8	0.0	189.2	0.54
Green Fish Resource Centre	960	37.4		58.6	0.0	96.0	0.42
The Green House	5468	48.0	4.0	57.9	0.0	106.0	0.37
Green Park Station, Shops	1346	50.2		155.5	0.0	205.7	0.59
Green Park Station, South Vaults	360	75.0		0.0	0.0	75.0	0.68
Hastings House	1380	49.9	11.6	123.2	0.0	173.1	0.20
Old Music Hall	2185	55.9	4.0	44.5	0.0	100.3	0.65
Picton Street Centre	303	16.4		147.4	0.0	163.7	0.52
Resource for London	2074	51.4		0.0	0.0	51.4	1.49
St Pauls Learning Centre	1253	70.3		207.1	0.0	277.4	0.91
Scotia Works	732	39.6		118.0	0.0	157.6	0.39
Streamline	1656	14.2		34.2	0.0	48.5	0.12
Thorn House	1130	23.1		51.5	0.0	74.6	1.17
Total	**29,397**					**131.2**	**0.54**

Note: We are currently working to a maximum target of 170kW per hour per square metre. Most of our centres are already achieving this; for the other centres we will reach this target by making improvements to lighting and boilers, tying this in with Lloyds' 'Clean Growth Finance' initiative.

ENERGY PERFORMANCE CERTIFICATE RATINGS

OWNED CENTRES

RATING BANDS	CENTRE	RATING	BENCHMARK	BETTER THAN BENCHMARK?
A+				
A 0-25	The Green House	15	28 (B)	Yes
	Streamline	16	18(A)	Yes
B 26-50	Brighton Junction	42	69 (C)	Yes
C 51-75	Brighton Eco Centre	55	61 (C)	Yes
	The Old Music Hall	56	64 (C)	Yes
	Hastings House	62	65 (C)	Yes
	Grayston Centre	63	71 (C)	Yes
	Brunswick Court	73	65 (C)	No
	Thorn House	27	31 (C)	No
D 76-100	Green Fish Resource Centre	76	68 (C)	No
	Durham Road Resource Centre	78	70 (C)	No
	Brighton Open Market	78	60 (C)	No
	Picton Street	89	79 (D)	No
	Green Park Station	92	73 (C)	No
	Scotia Works	94	83 (D)	No
	St Pauls Learning Centre	95	100 (D)	Yes
	Colston Street	98	72 (C)	No
E 101-125				
F 126-150				
G Over 150				

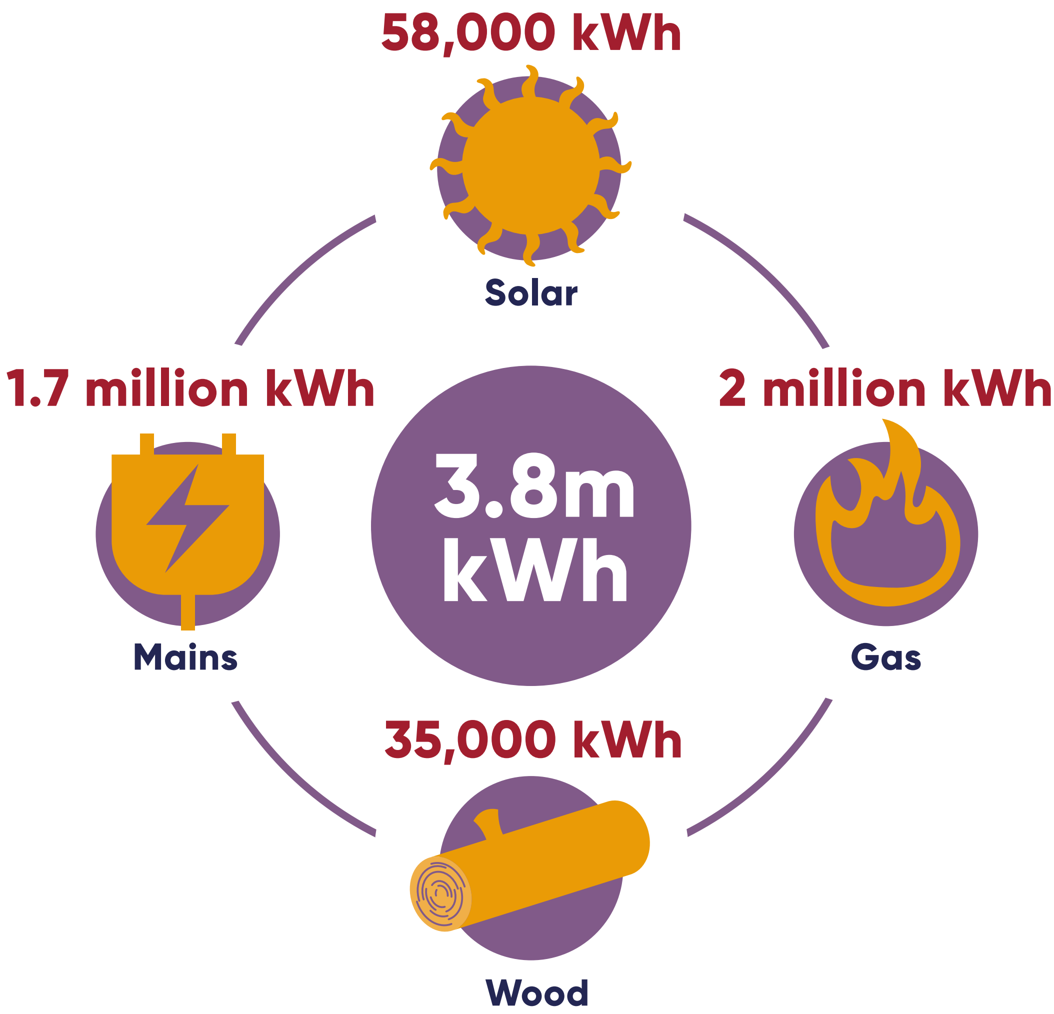
MANAGED CENTRES

RATING BANDS	CENTRE	RATING	BENCHMARK	BETTER THAN BENCHMARK?
A+				
A 0-25	The Foundry	24	30 (B)	Yes
B 26-50				
C 51-75				
D 76-100	Resource for London	87	81 (D)	No
E 101-125				
F 126-150				
G Over 150				

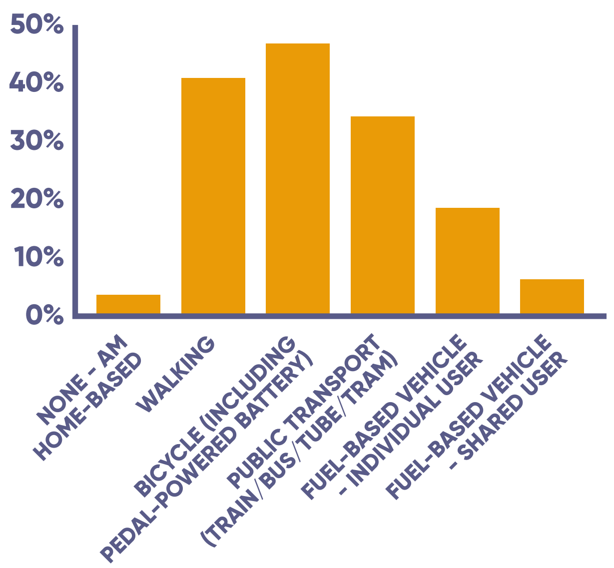
Note: Each centre is certified every 10 years, therefore there was no change to the ratings last year despite the improvements mentioned above. Over the longer term we are aiming towards 50% or more of our properties being rated A or B. However, due to the age of most of our buildings, this may be challenging. Therefore, in future we will only purchase properties that fall into A or B categories. Our newest centres, The Green House and Streamline, both fall into the A category.

89% RENEWABLE ENERGY SOURCES

As a company we use a combination of energy supplies. Currently, 1.4% is self-generated, and our aim is to raise this to 4%. In 2018/19, we came close to achieving our target of only using renewable energy suppliers – Green Energy and Good Energy – whose supply is from 100% renewable sources.



TRAVEL TO WORK



WORKING INTERNATIONALLY

Ethical Property has been very successful in extending our social business model to other countries. All members of the Ethical Property Family operate in accordance with the Quintessentials, safeguarding our social mission.

GROWING THE IMPACT OF OUR INTERNATIONAL FAMILY

We are keen to expand the impacts and benefits of the Ethical Property Family. This involves supporting growth in new countries but also improving how the family members work and support each other.

Given some of the governance challenges we experienced in the past year, we are also looking to give ownership and control of our Quintessentials – which sets out our values and operating principles – to the family as a whole to ensure they remain protected and no one organisation can change them independently.

In order to explore how we can work more effectively, members of all the Ethical Property Family attended a meeting in early 2019 in Brussels for three days with representatives from organisations in the USA, Germany and Russia who are interested in joining us.

One of the key aims was to discuss how we can improve the sharing of learning and skills, including exploring the potential for international secondments and placements whereby we can potentially share staff between different countries. This could be a really exciting opportunity for the Ethical Property Family and our staff.

This year we asked our colleagues in Belgium to give us an update on Ethical Property Europe.

ETHICAL PROPERTY EUROPE – BELGIUM

Ethical Property Europe had a successful year in 2018/19. Ten years since the creation of the company and the first Mundo centre, we celebrated the opening of our fifth and largest centre in Belgium so far: Mundo-madou in the European district in Brussels. The 5,500m^2 building is being renovated to high ecological standards, including using a significant proportion of reclaimed building materials, and has become the new headquarters for the growing Ethical Property Europe team.

Earlier in 2019, the Antwerp centre, Mundo-a, also opened its doors to the first tenants. We were delighted when the building, a new construction made entirely of sustainable materials and which meets the 'Passive House' voluntary standard for energy efficiency, was awarded the prestigious ARC2019 Architecture Award. A sixth project is underway in the university town of Louvain-la-Neuve, and is due to open in 2021.

OUR TENANTS: MAKING A DIFFERENCE IN THE UK AND BEYOND

Ethical Property is proud to host in its buildings a diverse range of organisations that seek to make a positive difference in their own communities and far beyond, and who reflect our key values in their efforts to tackle inequality and social injustice, protect the environment and achieve a sustainable future. Here we share just a few of their stories.

FINDING SMART SOLUTIONS TO CLIMATE CHALLENGES

EXCELLENT DEVELOPMENT – THE FOUNDRY, LONDON

Temperatures are rising in Africa at twice the global average and this is taking its toll. Extended periods of drought and ever more unreliable rainfall, in terms of both regularity and volume, are driving rising levels of food insecurity. This is made worse by catastrophic natural disasters that can wash away harvests in the blink of an eye.

Communities in developing countries must be supported to deploy the tools to not only bring themselves out of poverty, but also to become more resilient to the climate shocks that are to come. Excellent Development, which is based in The Foundry in London, is an award-winning UK charity that is supporting communities in rural drylands to access clean water and food security for life. We are achieving this with sand dams – a cost-effective rainwater-harvesting technology – and climate-smart agriculture, including tree planting and developing drought-resistant farms.

Sand dams are concrete walls built across sandy riverbeds that can capture up to 40 million litres of water, replenishing every rainy season. The water is stored within the sand, safe from disease and unable to evaporate. It can be easily extracted via pipework connected to hand pumps and taps, with one sand dam providing enough year-round water for over 1,000 people.

Since 2002, we've enabled more than 1,100 sand dams to be built in nine countries, providing lifelong access to clean water for over one million people. For these communities, the water is close to home, vastly reducing the time that people have to spend collecting water from distant sources.

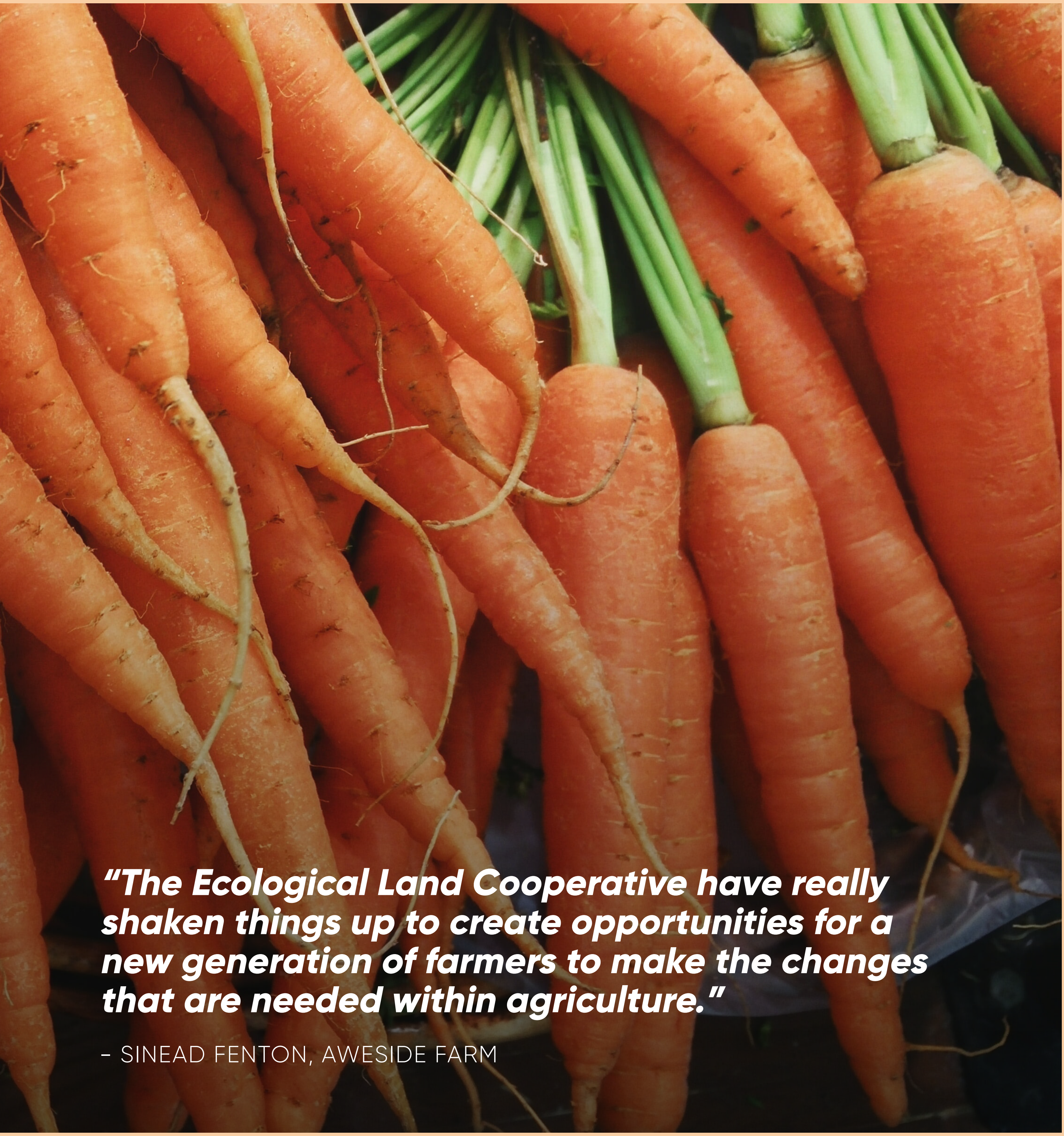
As women and children are often responsible for collecting water, this frees up their time for income-generating activities and school, with knock-on benefits for the whole community as women are empowered and children receive an education.

As many countries continue to suffer the ever-increasing effects of climate change, we collaborate with in-country partners to support communities to build climate resilience and reverse land degradation; we have helped communities to plant over 1.1 million trees to date (providing new sources of food, medicine, timber and shade).

We were delighted to have our work recognised at the Charity Times Awards 2019, being awarded 'Charity of the Year: with an income between £1m-£10m', and we plan to scale up our work to ensure that millions more people benefit from sand dams and climate-smart agriculture.

www.excellentdevelopment.com

"Since 2002, we've enabled more than 1,100 sand dams to be built in nine countries, providing lifelong access to clean water for over one million people."



"The Ecological Land Cooperative have really shaken things up to create opportunities for a new generation of farmers to make the changes that are needed within agriculture."

– SINEAD FENTON, AWESIDE FARM

FARMING IN HARMONY WITH NATURE

THE ECOLOGICAL LAND COOPERATIVE - BRIGHTON ECO CENTRE

High land prices, a lack of access to training and resources and no farm subsidy mean that small-scale farmers have huge hurdles to overcome. The Ecological Land Cooperative (ELC) makes a working countryside a reality for those farming in a way that works with nature – revitalising our rural economies and landscape.

Sinead Fenton and Adam Smith are among the green-fingered entrepreneurs who are setting up at the ELC's second site, in Arlington, East Sussex. Having started their journey as farmers on a small patch of rented land in East London, growing produce for restaurants across the city, the pair decided to put down more permanent roots at Aweside Farm — an opportunity made possible by the ELC.

Set up in 2009, the ELC works to create clusters of three or more affordable residential, low-impact, ecologically managed smallholdings. It acquires agricultural land, secures planning permission and installs infrastructure, and farmers can build their own sustainable home with off-grid utilities and road access. The ELC also provides business support and mentoring to help new farmers get their ventures off the ground.

Once a massive monocrop maize field, the site at Arlingon is now set to become a wildlife-friendly mosaic of mixed farms, producing local, seasonal and healthy food and flowers. Emily and Chris Huskins of Fanfield Farm are also among the new stewards. Their passion for good food has inspired them to focus on supplying seasonal and organic veg boxes to Arlington and the surrounding areas, aiming to feed 200 local households. They explain what motivated them:

"A lot needs to change in the UK. We need to go back to smaller farms and move away from large monoculture agriculture. We have taken too much from our soils for too long. Moving back to small farms and people growing food locally is incredibly important, and promoting practices that replenish our soil is a very important part of our plan."

The ELC's first project, Greenham Reach in mid-Devon, is home to three thriving smallholdings – including businesses such as a veg box scheme, salad bags, micro goat dairy, tree nursery, medicinal herbs and an educational course – bringing biodiversity, employment, and ecological and economic resilience to the area. The ELC has also purchased sites on the Gower Peninsular in South Wales and on the edge of Sparkford, South Somerset, with planning applications underway.

www.ecologicalland.coop

WORKING FOR A SAFER SOCIETY

SUZY LAMPLUGH TRUST – THE FOUNDRY, LONDON

Friday 3 May 2019 would have been Suzy Lamplugh's 58th birthday. Tragically, Suzy has been missing since 1986 and was declared legally dead in 1993. Her parents set up the Suzy Lamplugh Trust to help people to feel safe and to be safe from harassment, aggression and violence, including while at work.

Since then, the Trust's work on personal safety has expanded to include running the National Stalking Helpline, supporting and campaigning for victims of stalking, as well as providing training on safety for lone working, raising awareness of stalking, and pioneering innovative, multi-agency programmes to prevent stalkers reoffending.

In 2019, Suzy Lamplugh Trust provided personal safety training for over 6,000 people and helped companies to embed personal safety in their workplace culture.

The year also saw several successes for our 'Steering Towards Safety in taxi and private hire vehicle licensing' campaign. The Trust has long been calling for significant improvements in licensing standards for taxis and private hire vehicles to improve passenger safety. Our research revealed that taxi and private hire vehicle licences are being granted to drivers with criminal convictions for offences including GBH, harassment and battery. Passenger safety is being compromised because there are no national minimum standards to enforce enough safety checks for taxi and private hire vehicle licensing.

As a member of the Ministerial Task and Finish Group on Taxi and Private Hire Vehicle Licensing, Suzy Lamplugh Trust made several recommendations – including calling for national minimum standards in licensing, which were launched in Parliament with cross-party support. Following a government U-turn on a previous commitment to legislate for national minimum standards, the Trust continues to advocate for improvements to licensing standards to prioritise the personal safety of passengers.

As part of National Stalking Awareness Week, the Trust launched a pilot study produced by Sussex Stalking Support and the National Centre for Cyberstalking Research at the University of Bedfordshire on the healthcare responses to stalking. The study indicates that around eight in ten victims of stalking experience symptoms consistent with post-traumatic stress disorder (PTSD) in the aftermath of being stalked. The Trust continues to advocate for better health responses to stalking to reduce the devastating impact on victims.

Over 2019 the Trust continued to project manage a world-first Multi Agency Stalking Intervention Programme, aiming to reduce the impact of stalking by addressing fixation and obsession in stalking perpetrators. Throughout the year the Trust oversaw the development of three fully functional stalking intervention units in Hampshire, Cheshire and London. By combining work on policy, engaging with key services including the police and healthcare providers, campaigning, training and providing practical support for victims, we hope that 2020 will see continued progress in ensuring that people are, and feel, safer.

www.suzylamplugh.org

CAMPAIGNING FOR DETENTION REFORM

DETENTION ACTION – THE GREEN HOUSE, LONDON

Every year in this country, as many as 24,000 migrants are locked up with no time limit. They include survivors of torture and trafficking, LGBTQI+ asylum seekers fleeing persecution, and long-term British residents who are thrown into detention after living here most of their lives. These are the people we're fighting for. This is the system we're fighting to end.

The government's highly controversial policy of indefinite immigration detention has been widely criticised, and has become one of the most important human rights issues facing the country today.

Detention Action supports people held in immigration detention and campaigns for fundamental reform. We see people who have been trafficked – forced across borders to be exploited in brothels, nail bars and building sites. We see people who have survived torture and fled to the UK for safety. We see LGBTQI+ people who have fled persecution in countries where they are criminalised for who they are.

They are often distressed at being locked up in the UK, traumatised by their experiences in their home country and fearful of being forcibly returned. Isolated and confused, many experience depression and psychological deterioration. Since 2000, at least 49 people have died in UK detention centres, and self-harm is rife.

Possibly the most controversial aspect of detention in the UK is that there is no limit on how long people can be held. We see clients who are detained for days, months or even many years – and see the devastating toll this takes on both mental and physical health.

Souleymane is a member of Freed Voices, a group of experts by experience who have been in detention and are committed to speaking out about the realities of the system. He says: "The stress and anxiety of indefinite detention is unimaginable. When I was released it was like coming out of a cave. I couldn't sleep and couldn't trust anybody. I still have to fight hard to not think back to that mental torture."

The UK is the only country in Europe with no time limit on detention. It is time to fix our broken immigration detention system. In 2019, the 28-day time limit was recommended by the Home Affairs Select Committee and the Joint Committee on Human Rights. A cross-party group of MPs also officially registered their support for a 28-day time limit and we came closer than ever to ending the inhumanity of indefinite detention once and for all. The government hasn't budged – yet – but the momentum of our campaign continues to grow, and we won't rest until they stop this shameful abuse of human rights.

To find out more and to join our campaign for a time limit on immigration detention, see **www.detentionaction.org.uk**

OUR FIVE CORE PRINCIPLES: THE QUINTESSENTIALS

The 'Quintessentials' are our guiding principles, which set out how we conduct our business and our accountability. They are built on and reflect our vision, purpose and values. In September 2019, alongside members of our international family, we issued a revised set of Quintessentials, bringing us closer together in what we want to achieve.

The Quintessentials prescribe five core principles of governance and management which apply to all members of the Ethical Property Family. These give clear guidance on how family members should operate their businesses in accordance with our vision, purpose and values. To join the Ethical Property Family, an organisation must make a formal commitment to adhere to the Quintessentials and must be clear on how it demonstrates that adherence to all its stakeholders.

All Ethical Property Family members should be able to demonstrate:

1. THE TRIPLE BOTTOM LINE

Investment in Ethical Property Family members offers investors a financial, social and environmental return. We wish to make as positive as possible a contribution to:

- Supporting and strengthening progressive, innovative and high-impact organisations.
- Tackling inequality, by investing in deprived areas, creating accessible places and being an outstanding equal opportunities employer.
- The environment, by minimising our environmental impacts through the company, property and customer supply chains and by developing and supporting new positive environmental initiatives.

2. ETHICAL CLIENT CRITERIA

Property and services are provided to organisations that meet clear ethical criteria. We work with organisations that either:

- Have a defined social purpose that accords with the company's overall objective of building a sustainable society and environment,
- or are of strong benefit to the local area, in that they:
- Further the sense and practice of local ownership among the people in the area.
- Provide local jobs that are adequately paid and build self-esteem.
- Provide a useful local service that leads to a better life for that community.
- Build a sense of local community by creating a positive local identity and breaking down barriers between different sectors of the community. We do not support organisations that cause damage to the environment or create greater inequality; are engaged in the manufacture or sale of armaments, pornography, tobacco; or businesses that significantly contribute to climate change or have a poor human rights record.

3. ETHICAL MANAGEMENT

The Ethical Property Family manages its business in a way that demonstrates its ethicality. The Quintessentials do not prescribe precisely how members should manage their property but it is expected that family members will aim to:

» Set rental charges that are fair and affordable and in so far as possible at a discount to the commercial rate.

» Offer lease terms that support occupants' long-term stability.

» Support occupants in achieving their objectives.

» Have a positive impact on the surrounding community.

» Seek to foster the sharing of ideas between occupants and the surrounding community.

» Make properties ecologically sound, healthy, safe and secure.

» Contribute to the well-being of occupants.

» Maintain an open dialogue with all occupants.

4. ETHICAL GOVERNANCE

The Ethical Property Family maintains a high standard of governance. Members are expected to have governance procedures in place that adequately safeguard their ethicality. All members should also give consideration to adopting the best principles and practices of good corporate governance, and to joining appropriate certification schemes.

There should be clear responsibilities at Board and senior staff level for all aspects of triple bottom line performance, and all staff members should be familiar with the Quintessentials and should apply them to their work.

5. TRANSPARENT REPORTING

Ethical Property Family members must ensure that their social, environmental and financial performance is reported clearly, openly and honestly to stakeholders in a manner that each family member clearly sets out and determines. Members should be open about performance failures and how they will be addressed.

FINANCIAL PERFORMANCE

SHARE PERFORMANCE

Shares in Ethical Property are traded on the Ethex platform. The share price has remained stable over the year with an average trade price of £1.08. Over the year, 220,866 shares were bought and sold in a total of 33 trades.

At the end of the year, 5,500 shares were waiting to buy at £1.07, and 35,850 shares were waiting to be bought at prices ranging from £1.00 to £1.15.

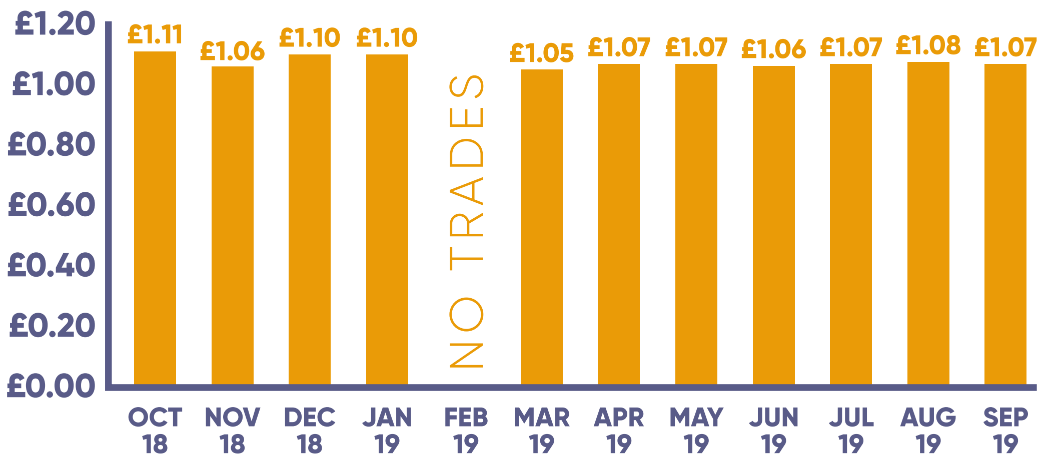
The net asset value (NAV) of shares at 30 September 2019 was £3.04. Shares are trading at a discount to NAV of 64%. The liquidity scheme was approved by shareholders at the EGM in November 2019 to address this discount.

The liquidity scheme will purchase shares from existing shareholders at a more realistic price and improve the speed of trades. The liquidity scheme will be able to sell shares when buyers exceed sellers. The aim will be to reduce the discount to NAV and bring the share price closer to the issue price of the next share raise. The liquidity scheme will be available from late 2020 and will be administered by Ethex.

At the EGM in November 2019, the resolution to become a public limited company was passed. However, Ethical Property does not plan to list on a public stock exchange such as LSE or AIM. This will safeguard the organisation's mission as a triple bottom line company.

Ethex has over 16,000 active investors since 2013 and has raised more than £75 million for over 100 businesses. If you would like to buy or sell shares, please phone Ethex on 01865 403304, email orders@ethex.org.uk or visit the website: **www.ethex.org.uk**

AVERAGE SHARE PRICE



SHAREHOLDINGS

NUMBER OF SHARES HELD	NUMBER OF SHAREHOLDERS	TOTAL SHARES	% OF ALL SHAREHOLDERS	% OF ALL SHARES
500 or less	301	116,821	22.92%	0.78%
501 to 1,000	245	229,382	18.66%	1.54%
1,001 to 2,000	201	335,261	15.31%	2.25%
2,001 to 5,000	244	905,449	18.58%	6.07%
5,001 to 10,000	150	1,203,119	11.42%	8.07%
10,001 to 50,000	136	3,002,996	10.36%	20.14%
50,001 to 100,000	14	984,428	1.07%	6.60%
100,001 to 500,000	17	4,063,809	1.29%	27.25%
500,001 to 1,000,000	4	2,899,443	0.30%	19.45%
1,000,001 to 5,000,000	1	1,170,000	0.08%	7.85%
2019 Total	**1,313**	**14,910,708**		
2018 Total	**1,321**	**14,910,708**		

DIVIDEND WAIVER FUND

Our Dividend Waiver Fund is designed to improve our impact and is a critical part of our social return. Thanks to the generosity of our shareholders – who can choose to waive their annual dividends at any time – the Fund continues to help a variety of organisations each year, including tenants, start-up organisations and external projects.

In 2019, part of the dividend waiver was awarded to our sister charity, the Ethical Property Foundation (EPF), which helps other charities and community groups to thrive by solving their property problems. This short article from the Foundation explains its purpose and how these much-needed funds will be used to make a difference.

The Ethical Property Foundation is the UK property advice charity for the voluntary sector - since 2015, it has been sole referral partner to the Charity Commission. Working with a team of in-house expert advisors plus our Register of solicitors and surveyors, this year EPF supported 300 voluntary organisations with free advice, training and affordable consultancy plus a further 8,000 with free online guidance. Our bi-annual Charity Property Matters Survey, published in November 2018, revealed for the first time that most voluntary organisations now rent from non-local authority landlords.

Workshops on negotiating leases and good premises management are increasingly popular, and during the year EPF ran 12 events across the UK including in Newcastle, Manchester, Cardiff, Salford and London.

The Foundation is very grateful for Ethical Property's donation of £6,000 from the Dividend Waiver Fund. It will be put towards our new property education website and our vitally needed free advice services outside London.

www.propertyhelp.org

OUR BOARD OF DIRECTORS

This year the Board of Directors focused on our future strategy, specifically looking at investment, how we can best protect our values, and updating our 'Quintessentials' to ensure we have a steady base to grow on.

At our Annual General Meeting on 21 March 2019 we wished a fond farewell to David Loggia, who stepped down as a Director as he is returning to Australia. We also welcomed three highly talented new Directors, who were elected unanimously: Anne-Marie O'Hara, Juliet Can and Monica Middleton. A further addition was made when our Managing Director, Conrad Peberdy, joined the Board in June 2019.

Our articles require that one-third of the Directors retire by rotation at each EGM but can be re-elected at the AGM.

PAUL BELLACK

Paul has been with Ethical Property since its inception in 1999. Paul spent 19 years as property investment fund manager for Sun Life of Canada. He founded and runs a commercial property investment company. Paul is also currently is a non-executive director for Ethical Property Europe, The Social Justice and Human Rights Centre and Ovesco, a not-for-profit community renewable energy company. Paul lives in Lewes in East Sussex.

JULIET CAN

Juliet is a Director of Stour Trust, a social enterprise which develops models of community-led regeneration through provision of affordable work, civic and cultural spaces. She is also co-founder of Stour Space, a community hub providing affordable workspace for the creative sector. Juliet co-led the formation of the Hackney Wick & Fish Island Community Development Trust and sits on the Board of London Community Land Trust. She has 20 years' experience in the charity and social enterprise sectors, working primarily on social justice issues such as women's rights, and supporting refugees and victims of human trafficking.

SAM CLARKE, CHAIR

Sam has chaired several value-driven organisations including Friends of the Earth, New Economics Foundation and The Climate Coalition. He is currently Chair of Charity Mentors. Sam lives in Oxford and previously chaired Ethical Property, from 2000 to 2010.

JAMIE HARTZELL

Jamie is one of the UK's leading social entrepreneurs and an investor in a wide range of social businesses. He founded Ethical Property in 1998 and led it for 13 years. He also founded Ethex, the not-for-profit crowdfunding platform that trades the company's shares. Jamie is a Director of the Real Farming Trust, which is working for more just and sustainable farming practices, and of Positive Money, which campaigns for a fairer financial system. He has been Chair of Fairtrade companies Divine Chocolate and Zaytoun, and a Director of a wide range of social enterprises and charities.

MARK LUNTLEY

Mark joined Ethical Property in 2013. A qualified accountant, Mark is also non-executive director of Energy4All. He also chairs the Oxfordshire Credit Union and is a Director of the Westmill Windfarm Coop and Westmill Solar Coop. Mark is an elected Board member of REScoop – the federation of European renewable energy cooperatives.

MONICA MIDDLETON

With a background in business, marketing and investor relations at various blue chips and SMEs, Monica is passionate about enterprises that focus on joint financial, social and environmental returns. She was most recently Managing Director for the UK arm of 45-year-old Dutch social investor Oikocredit, which focuses on investing in social enterprises in low-income countries. Alongside Ethical Property, Monica is also a non-executive director on the Board of Cafédirect plc; Chair of the Cafédirect Guardian Share Company (which safeguards its mission), and Chair of Women in Social Finance UK.

ANNE-MARIE O'HARA

Anne-Marie has worked in various property, charity and grant-giving roles for over 30 years. She led the Property Planning, Projects and European Funding Team at the National Trust for Scotland. She has worked in central and local government and at a senior level for both the Heritage and Big Lottery Funds, where she was involved in the development and implementation of a variety of major grant-funded capital programmes and projects. Currently Anne-Marie runs an Edinburgh-based charity and social enterprise which provides high-quality affordable business space for the third sector.

CONRAD PEBERDY, MANAGING DIRECTOR

Conrad was appointed as Managing Director in January 2019. He first joined Ethical Property in December 2009 as Director of Development, where he was responsible for developing new business opportunities, partnerships and the acquisition of new centres. Conrad previously worked for a tenant, as Managing Director of Bristol East Side Traders, an innovative Bristol-based regeneration company.

AUDITOR'S ASSURANCE STATEMENT

THE ETHICAL PROPERTY COMPANY LIMITED, 2020

SCOPE AND OBJECTIVES

The Ethical Property Company Limited ('Ethical Property') commissioned Adrian Henriques ('the Auditor') to undertake independent assurance of pages 10, 11, 14 to 18, 21 to 27 of its 2018/19 Annual Report ('the Report'). The Auditor has no other relationships with Ethical Property that might compromise his independence. This is the tenth year that the Auditor has reviewed the Ethical Property Social Report. The assurance process was designed to provide a moderate level of assurance and was conducted against the Ethical Property Adherence Framework ('the Framework'). The Framework was developed to provide a set of reporting indicators that could demonstrate compliance with the Quintessentials. The Global Reporting Initiative (GRI) Quality of Information Principles were used as criteria for evaluating performance information. The assurance only covered the UK operations of Ethical Property.

RESPONSIBILITIES OF THE DIRECTORS OF THE ETHICAL PROPERTY COMPANY LIMITED AND OF THE AUDITOR

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. The Auditor was not involved in the preparation of the Report. A management letter was also produced.

BASIS OF OPINION

The Auditor's work was designed to gather evidence with the objective of providing assurance. To prepare this statement, the Auditor reviewed Report drafts, visited Ethical Property in Oxford 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.

CONCLUSIONS

This is the first time that Ethical Property has reported using the Framework. In addition, the extent of social and environmental information reported this year has been much less extensive than in previous years. It is to be hoped that the scope of performance reported will increase in the future.

For almost all Framework indicators that have been reported, Ethical Property has achieved the level of performance expected. However only a quarter of the indicators in the Framework have been reported upon. There are additional areas of performance, not reported upon, for which the Framework targets have also been achieved.

In general, the data reported seems robust. However, the environmental performance data must be regarded as tentative.

Adrian Henriques - London, January 2020


LOCAL
Celeriac

THE ETHICAL PROPERTY COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Company Registration No. 02961327 (England and Wales)

Directors	P Bellack	
	S Clarke (Chair)	
	J Hartzell	
	M Luntley	
	J Can	(Appointed 21 March 2019)
	M Middleton	(Appointed 21 March 2019)
	A O'Hara	(Appointed 21 March 2019)
	C Peberdy	(Appointed 9 August 2019)
Secretary	A Higson	
Company number	02961327	
Registered office	The Old Music Hall	
	106-108 Cowley Road	
	Oxford	
	OX4 1JE	
Auditor	Moore Kingston Smith LLP	
	Devonshire House	
	60 Goswell Road	
	London	
	EC1M 7AD	
Bankers	Lloyds Bank plc	
	2nd Floor	
	125 Colmore Row	
	Birmingham	
	B3 3SF	

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 September 2019.

BUSINESS REVIEW

This has been a transitional year for the company. The construction and fit out of two large buildings, The Green House, London and Streamline, Bristol, were completed during the year increasing net lettable area (NLA) by 38,519 square feet, enabling more support to organisations with social and environmental missions. However, whilst a number of new tenants have moved in, the task of filling the new buildings with tenants who fit our criteria is on-going with 29% of NLA still unlet at the year end.

Reduced gross profit and higher interest costs as a result of the new properties being available for letting and interest is no longer capitalised has resulted in a lower profit for the year of £1,124k (2018: £1,245k profit). This strategic report analyses the results between new buildings and existing buildings to demonstrate that the underlying business is healthy and generating returns.

All the properties were revalued at the year end by the directors using external market factors and based on previous external, independent, valuations. The result was an overall increase of £2,114k mainly on The Green House and The Old Music Hall. Other activities this year includes new directors on the board, restructure of the senior management team, sale of our interest in Ethical IT LLP and investment in IT infrastructure.

Three new non-executive directors were elected at the AGM in April 2019 and one director stood down. The board now consist of seven non-executive directors and one executive director. A restructure of the senior management team was undertaken in order to improve operational capacity and better enable us to deliver on our strategic objectives. A new strategic plan is under development and will be discussed with shareholders at the next AGM.

The Ethical Property Company has been a partner in Ethical IT LLP since 2011. The board decided to divest the investment in Ethical IT LLP. This resulted in a loss on disposal of £47k although the internal rate of return on the investment was 28%. In the longer term this will enable us to focus more management time on the core business. We also decided to bring IT expertise in-house so we could develop an IT strategy and improve the offering to tenants. Reliable IT provision with good connections is key requirement for many tenants. Our IT infrastructure required investment to be able to offer modern services and allow for future growth in this area. A two year program has been developed, with £125k additions this year and planned £185k next year.

KEY PERFORMANCE INDICATORS (KPIs)

The KPIs most relevant to our business are; net lettable area in square feet (NLA), occupancy (% of maximum income), gross profit (profit generated by the core business) and return on book cost (profit generated by the buildings as a percentage of their cost).

	EXISTING BUILDINGS	NEW BUILDINGS	TOTAL
Net lettable area ('000 square feet)			
September 2019	118	62	180
September 2018	118	24	141
September 2017	118	24	141
Occupancy (average for year)			
September 2019	92%	46%	71%
September 2018	93%	85%	91%
September 2017	95%	90%	93%

	EXISTING BUILDINGS	NEW BUILDINGS	TOTAL
Gross profit (£'000)			
September 2019	1,463	416	1,879
September 2018	1,494	593	2,087
September 2017	1,472	617	2,089
Return on book cost			
September 2019	7.6%	1.0%	2.8%
September 2018	7.7%	1.6%	3.4%
September 2017	6.9%	3.5%	5.0%

The NLA shows an increase of 28% due to the completion of The Green House and Streamline. Average occupancy for the year of 71% is substantially lower than in previous years because of the new properties being completed. At 30 September 2019, The Green House had occupancy of 62% and Streamline 30%. Interest has been shown in much of the vacant space and new marketing approaches are being developed to ensure the space is taken up.

Gross profit is lower than last year by £208k. The existing buildings are generating £31k less profit due to increased investment in IT infrastructure and backlog property maintenance of the buildings. This spend is expected to increase occupancy in future years.

Return on book cost shows that existing buildings continue to provide a good return. The returns on the new buildings are currently lower than normal. When these buildings are at normal levels of occupancy, the return will be more in line with existing buildings.

RESULTS AND DIVIDENDS

The profit for the year is £1,124k (2018: £1,245k profit). The operating loss is £224k (2018: £384k profit), a decrease of £608k. This is due to lower gross profit, higher administrative costs and lower other operating income.

The analysis below shows the gross profit split between existing properties and the new properties.

	30 SEPTEMBER 2019			30 SEPTEMBER 2018		
	EXISTING BUILDINGS	NEW BUILDINGS	TOTAL	EXISTING BUILDINGS	NEW BUILDINGS	TOTAL
Turnover	3,840	1,003	4,843	3,693	943	4,636
Cost of sales	(2,377)	(587)	(2,964)	(2,199)	(350)	(2,549)
Gross profit	1,463	416	1,879	1,494	593	2,087

Turnover has increased on the existing buildings by 4%, whilst costs have increased by 8% due to higher IT costs and spend on maintenance. The turnover for the new buildings has increased because there is more space to let. Costs have increased as the buildings are bigger and there is one more building than last year which has increased staff and management requirements.

Administrative expenses have increased by £542k. This is due to a number of factors which include; increased business rates (£168k) on our new office spaces prior to its occupation, increased sales and marketing activity in order to fill our new centres, new in house IT manager to enable us to improve our IT provision, and finally cost related to changes within the Senior Management Team. A number of these costs are one-off and will not occur in future years.

Other operating income was derived from the Ethical IT partnership which was ended this year.

Movement on revaluation of investments consists of the increased value of our investment in Social Justice and Human Rights Centre Limited and Ethical Property Europe. The movement in revaluation of investment properties are buildings owned by The Ethical Property Company Limited.

Interest payable is £979k (2018: £140k). Last year interest on lending relating to the properties in construction were capitalised. Now the buildings are completed, the interest costs are revenue expenditure. Bank lending was increased by £4,853k from last year.

Part of the bank lending is hedged with an interest rate swap. This swap is valued each year and the movement is reflected in the profit and loss account. This year shows a cost of £486k (2018: £154k). This is a revaluation movement and does not affect cash flow.

CASH FLOW

Cash held in the business has decreased by £1,555k during the year. The cash balance last year of £2,270k was unusually high as a payment for construction was due in early October. During the year, £4,283k was spent on investment property and tangible fixed assets.

During the year, two dividends were paid. In November 2018 three pence per share was paid, and in April 2019 three and a half pence was paid. This impacted cash flow by £919k.

BALANCE SHEET

The investment properties have increased by £6,151k mainly due to the completion of the new properties and revaluation gains.

Creditors falling due within 1 year is £14,794k higher than last year. This is because the Development loan is due to end next year and will be converted into a second Investment loan. Creditors falling due after one year has decreased for the same reason.

Net assets decreased by £202k during the year and net asset value per share is £3.04.

Assessing and managing risk is a fundamental part of the company's business strategy and a core competency for its staff and directors. With the oversight of the Audit and Risk Committee, we regularly monitor and manage our risks, to ensure we are aware of any key concerns. The directors are responsible for overall risk management and determine the level of risk the business can take to meet its strategic objectives.

The principal financial risks the company faces are:

RISK	MITIGATION
Major health and safety incident at a building.	Maintain updated risk assessments on each building and take prompt action on all identified key risks. Training programme completed by property managers. Continuous review of policies and procedures.
Letting risk for new buildings.	Progress on letting is monitored regularly by the management team and reported to the Board. Additional resources have been deployed to strengthen the sales and marketing.
Decline in property standards.	Regular maintenance reviews, increased budget to improve standards. Annual tenants survey and regular tenant meetings where concerns are raised and addressed.
Failure of IT support for staff and tenants.	IT skills have been brought in-house. New IT services provider has been appointed. Large investment in IT infrastructure.
GDPR breach relating to existing IT arrangements and provision.	Agreed action plan to more than satisfy Cyber essentials standards that ensure IT GDPR compliance.
Loss of the unique selling point of our business model	Review of our model and strengthening of social mission under way as part of new strategic plan.
Failure to recruit/retain staff at all levels.	Maintain staff satisfaction levels by taking actions identified through the staff survey and implementing a Reward Strategy and a Learning and Development Strategy.
Failure to meet investor requirements.	Investor consultation undertaken in 2019. New Strategic Plan summary to be communicated.
Price, credit, liquidity, interest rate and cash flow.	The company's principal financial and budget processes allow the company to monitor these areas. The company manages liquidity risks with regular cash flow projections provided to the board. An interest rate swap fixing interest rates for 75% of the term and development loans is in place to mitigate increases in the interest rate. Trade debtors are monitored regularly, and figures in the balance sheet are net of any provisions for doubtful debts. The Audit Committee oversees key financial measures on risk areas including occupancy level and levels of arrears.
Brexit and/or an economic slowdown affecting our ability to let buildings. Lack of certainty around EU grants on which some of our tenants rely for income.	We monitor economic trends closely and stay in close contact with tenant groups. Brexit has been made a key risk in the risk register. Our properties are located across the UK, reducing our exposure to the impact of a regional economic slowdown.

LOOKING AHEAD

The Ethical Property Company will focus on:

Increasing occupancy in the new and existing buildings

- Devising and communicating a new strategic plan
- Investment in IT infrastructure
- Improvement in the maintenance of the buildings
- Safeguarding the Social Mission with updated Quintessentials

At the Extraordinary General Meeting held on 19 November 2019, it was agreed that:

- the board could allot up to four million shares
- the company could spend up to £1.2 million on repurchasing shares to make sure there was an improved market for sellers; and
- adopt new Articles of Association suitable for a public limited company and convert to a PLC in due course.

Approved by the Board on 17 February 2020 and signed on its behalf by:

Sam Clarke

S Clarke (Chair)
Director

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 30 September 2019.

PRINCIPAL ACTIVITIES

The principal activity of the company aims to be that of supporting 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

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P Bellack	
S Clarke (Chair)	
J Hartzell	
D Loggia	(Resigned 21 March 2019)
M Luntley	
J Can	(Appointed 21 March 2019)
M Middleton	(Appointed 21 March 2019)
A O'Hara	(Appointed 21 March 2019)
C Peberdy	(Appointed 9 August 2019)

DIRECTORS' INTERESTS

The directors who served during the year and their beneficial interest in the company are as follows:

	ORDINARY SHARES OF 50P EACH	
	2019	**2018**
P Bellack	81,000	69,960
S Clarke (Chair)	50,000	50,000
J Hartzell	28,500	28,000
D Loggia	844,356	844,356
M Luntley	5,112	5,112
J Can	5,000	-

RESULTS AND DIVIDENDS

The results for the year are set out on page 59.

AUDITOR

In accordance with the company's articles, a resolution proposing that Moore Kingston Smith LLP be reappointed as auditor of the company will be put at a General Meeting.

STATEMENT OF DISCLOSURE TO AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board:

Sam Clarke

S Clarke (Chair)

Director

17 February 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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

OPINION

We have audited the financial statements of The Ethical Property Company Limited (the 'company') for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

» give a true and fair view of the state of the company's affairs as at 30 September 2019 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

» the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

» the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

USE OF OUR REPORT

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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

Jonathan Seymour (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2019 £'000	2018 £'000
Turnover		4,843	4,636
Cost of sales		(2,964)	(2,549)
Gross Profit		**1,879**	**2,087**
Administrative expenses		(2,066)	(1,524)
Other operating income		10	35
Exceptional item	4	(47)	(214)
Operating (loss)/profit	3	**(224)**	**384**
Income from shares in group undertakings		212	163
Movement on revaluation of investments	11	634	328
Other interest receivable and similar income		4	4
Movement in fair value interest rate swap		(486)	(154)
Interest payable and similar expenses		(979)	(140)
Movement in the revaluation of investment properties	8	2,114	529
Loss on disposal of investment property	10	–	(225)
Profit before taxation		**1,275**	**889**
Taxation	7	(151)	356
Profit for the financial year		**1,124**	**1,245**
Earnings per share (pence)	20	(6.3)	4.2
Earnings per share including valuation movement (pence)	20	7.5	8.4

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

BALANCE SHEET

	NOTES	2019 £'000	2018 £'000
Fixed Assets			
Tangible assets	9	456	290
Investment properties	10	63,690	57,539
Investments	11	6,755	6,218
		70,901	**64,047**
Current assets			
Debtors	14	740	1,381
Cash at bank and in hand		715	2,270
		1,455	**3,651**
Creditors: amounts failing due within 1 year	15	**(17,457)**	**(2,663)**
Net current (liabilities)/assets		**(16,002)**	**988**
Total assets less current liabilities		**54,899**	**65,035**
Creditors: amounts failing due after more than 1 year	16	**(9,591)**	**(19,843)**
Provisions for liabilities	17	**-**	**(86)**
Net assets		**45,308**	**45,106**
Capital and reserves			
Called up share capital	19	7,455	7,455
Share premium account		2,862	2,865
Revaluation reserve		7,559	5,962
Capital redemption reserve		531	531
Other reserves		51	14
Profit and loss reserves		26,850	28,279
Total equity		**45,308**	**45,106**

The financial statements were approved by the board of directors and authorised for issue on 17 February 2020 and are signed on its behalf by:

Sam Clarke

Sam Clarke (Chair)
Director

Company Registration No. 02961327.

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	REVALUATION RESERVE	CAPITAL REDEMPTION RESERVE	OTHER RESERVES	PROFIT AND LOSS RESERVES	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2017	7,455	2,865	5,715	531	23	27,272	43,861
Year ended 30 September 2018							
Profit and total comprehensive income for the year	–	–	–	–	–	1,245	1,245
Transfers	–	–	247	–	(9)	(238)	–
Balance at 30 September 2018	**7,455**	**2,865**	**5,962**	**531**	**14**	**28,279**	**45,106**
Year ended 30 September 2019							
Profit and total comprehensive income for the year	–	–	–	–	–	1,124	1,124
Dividends	–	–	–	–	50	(969)	(919)
Transfers	–	–	11,597	–	(13)	1,584	–
Other movements	–	(3)		–	–	–	(3)
Balance at 30 September 2019	**7,455**	**2,862**	**7,559**	**531**	**51**	**26,850**	**45,308**

STATEMENT OF CASH FLOWS

	NOTES	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash (absorbed by)/generated from operations	25	(645)	339
Interest paid		(979)	(140)
Income taxes refunded		–	2
Net cash (outflow)/inflow from operating activities		**(1,624)**	**201**
Investing activities			
Purchase of tangible fixed assets		(245)	(225)
Proceeds on disposal of investment properties		–	16,000
Expenditure relating to sale of tangible assets		–	(224)
Purchase and additions to investment property		(4,038)	(19,245)
Proceeds on disposal of investments		156	–
Share buy back from investments in associates and joint ventures		49	108
Interest received		4	4
Dividends received		212	163
Net cash used in investing activities		**(3,862)**	**(3,419)**
Financing activities			
Proceeds from borrowings		4,243	20,000
Repayment of borrowings		(40)	(14,663)
Refinancing fees		(23)	(339)
Interest rolled up on loans		673	133
Marketing costs		(3)	–
Dividends paid		(919)	–
Net cash generated from financing activities		**3,931**	**5,131**
Net (decrease)/increase in cash and cash equivalents		**(1,555)**	**1,913**
Cash and cash equivalents at beginning of year		2,270	357
Cash and cash equivalents at end of year		**715**	**2,270**

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Company information

The Ethical Property Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Old Music Hall, 106-108 Cowley Road, Oxford.

1.1 ACCOUNTING CONVENTION

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pounds sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand pounds.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.2 TURNOVER

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

1.3 TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	three to twelve years
Computer equipment	four to five years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1 ACCOUNTING POLICIES

Capitalisation of finance costs

Interest is capitalised on investment properties where refurbishment/redevelopment expenditure is required before the asset can be brought into use. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on property-specific borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the company and applied to the expenditure on the property undergoing redevelopment.

Interest is capitalised from the date of acquisition of the property under refurbishment or redevelopment until the date when substantially all the activities necessary to prepare the asset for its intended use are complete. For a phased completion, capitalisation of interest costs is reduced by the proportion of Net Lettable Area of the whole building made available at each stage.

If the total amounts calculated to be capitalised exceed total interest costs then only an amount equal to actual interest costs incurred is capitalised, and general borrowing costs are allocated to multiple projects pro-rata to their use of general borrowings.

1.4 INVESTMENT PROPERTIES

Investment properties are stated at market value, with independent valuations taking place at least every three years.

Any surplus or deficit on revaluation is reported in the statement of comprehensive income and is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, is expected to be permanent. If permanent it is recognised in the statement of comprehensive income as amounts written off investment properties. 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.

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 current value of investment properties, and changes to the current value, are of prime importance rather than a calculation of annual depreciation.

Properties undergoing refurbishment or redevelopment are valued by deducting the costs to complete the works from the open market value of the completed building.

1.5 INVESTMENTS, ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are those in which the company holds between 20% and 50% of the share capital, over which it has significant influence but not control. Investments in associated companies are stated at the directors’ estimate of fair value where this is materially different from cost. This is based on the results reported in the latest available financial statements and further information available from the local Boards. Any surplus or deficit is transferred to the revaluation reserve.

1.6 IMPAIRMENT OF FIXED ASSETS

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 ACCOUNTING POLICIES

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 CASH AT BANK AND IN HAND

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.8 FINANCIAL INSTRUMENTS

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Classification of financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1.9 SHARE CAPITAL

Share capital issued by the company is recorded at the proceeds received, net of direct issue costs. Dividends payable on share capital are recognised as liabilities once they are no longer at the discretion of the company.

1 ACCOUNTING POLICIES

1.10 TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of investment properties in the course of construction.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 RETIREMENT BENEFITS

The company operates two defined contribution retirement benefit schemes and the pension charge represents the amounts payable by the company to the funds in respect of the year.

1.13 LEASES

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.14 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.

1 ACCOUNTING POLICIES

1.15 FOREIGN EXCHANGE

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the statement of comprehensive income for the period.

1.16 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 provide potential repayment of the grant or interest. When such properties are revalued, then the revalued amount is shown in the financial statements.

2 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The measurement of fair value of investment properties and investments constitutes the principal areas of estimates and judgement exercised by the directors in the preparation of these financial statements. The valuations of properties are carried out by the directors with reference to external advisers who the directors consider to be suitably qualified to carry out such valuations. The primary source of evidence for the property valuations is recent, comparable market transactions on arm's length terms. However, the valuation of the properties is inherently subjective, and may not prove to be accurate, particularly where there are few comparable transactions. Key assumptions, which are also the major sources of estimation uncertainty used in the valuation, include the value of future rental income, the outcome of rent reviews and the rate and length of voids.

3 OPERATING (LOSS)/PROFIT

OPERATING (LOSS)/PROFIT FOR THE YEAR IS STATED AFTER CHARGING/(CREDITING):	2019 £'000	2018 £'000
Exchange losses/(gains)	7	(30)
Depreciation of owned tangible fixed assets	79	44
Auditor's remuneration - the audit of the company's annual accounts	20	12
Payments to auditors for corporation tax and other services	9	7

4 EXCEPTIONAL ITEM

	2019 £'000	2018 £'000
Exceptional item	47	214

The exceptional item in the current year represents the net loss on the disposal on the company's interest in Ethical IT LLP.

The exceptional costs in the prior year comprise of costs incurred in relation to the raising of finance that was ultimately aborted. These include legal fees, abortive transaction fees as well as staff, Board and AGM costs arising from this project and its consequences.

5 EMPLOYEES

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 NUMBER	2018 NUMBER
Administration staff	76	63
Management staff	40	39
	116	**102**

Full time equivalent head count of all staff excluding non-executive directors	71.2	68.1

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	2,118	2,028
Social security costs	180	177
Pension costs	129	112
	2,427	**2,317**

6 DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Remuneration for qualifying services	51	87
Company pension contributions to defined contribution schemes	1	6
	52	**93**

6 DIRECTORS' REMUNERATION

During the year retirement benefits in respect of a money purchase scheme were accruing to no (2018:1) directors.

Fees of £37k (2018 £26k) were paid to non-executive directors. Key management compensation during the year totalled £293k (2018 £361k). Key management includes the executive director and the senior managers.

7 TAXATION

	2019 £'000	2018 £'000
Current tax		
Adjustments in respect of prior periods	**-**	**(16)**
Deferred tax		
Deferred tax provision on unrealised gain on investment properties	151	(40)
Tax losses forecast to be offset against future profits within five years	–	(300)
Total deferred tax	**151**	**(340)**
Total tax charge/(credit)	**151**	**(356)**

The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit before taxation	**1,275**	**889**
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	242	169
Tax effect of expenses that are not deductible in determining taxable profit	14	61
Tax effect of income not taxable in determining taxable profit	(40)	(217)
Adjustments in respect of prior years	284	(16)
Other temporary timing differences	(12)	–
Capital allowances for the year	(337)	(241)
Losses not recognised in deferred tax	–	(111)
Taxation charge/(credit) for the year	**151**	**(356)**
Taxation charge/(credit) in the financial statements	**151**	**(356)**

8 NET UNREALISED GAINS ON INVESTMENT PROPERTIES

This year there was a write back of £372k (2018: £650k) on a permanent diminution written off in previous years on investment properties.

	2019 £'000	2018 £'000
In respect of:		
Write back of permanent diminution in value of investment property written off in previous years	372	650
Net revaluation, other investment properties	**1,742**	**(121)**
	2,114	**529**

9 TANGIBLE FIXED ASSETS

	FIXTURES & FITTINGS £'000	COMPUTER EQUIPMENT £'000	TOTAL £'000
Cost			
At 1 October 2018	231	710	941
Additions	75	170	245
Disposals	–	(2)	(2)
At 30 September 2019	**306**	**878**	**1,184**
Depreciation			
At 1 October 2018	157	494	651
Depreciation charged in the year	22	57	79
Eliminated in respect of disposals	–	(2)	(2)
At 30 September 2019	**179**	**549**	**728**
Carrying amount			
At 30 September 2019	**127**	**329**	**456**
At 30 September 2018	**74**	**216**	**290**

10 INVESTMENT PROPERTY

	INVESTMENT PROPERTIES £'000	INVESTMENT PROPERTIES IN COURSE OF DEVELOPMENT £'000	2019 £'000
Fair value			
At 1 October 2018	22,835	34,704	57,539
Additions	1,347	2,690	4,037
Transfers	37,394	(37,394)	-
Net gains or losses through fair value adjustments	2,114	-	2,114
At 30 September 2019	63,690	**-**	**63,690**

During the year £154k (2018: £428k) of interest costs directly attributable to the financing of property developments were capitalised at the weighted average cost of the related borrowings. The total capitalised interest at 30 September 2019 was £1,380k (2018:£1,226k).

The fair value of investment property at 30 September 2019 has been assessed by the directors, with reference to a valuation carried out in December 2017 by independent Chartered Surveyors, who are not connected with the company.

The original cost of the investment properties was £58,301k (2018: £54,263k). The value of long leasehold properties included within investment properties was £8,380k (2018: £6,935k).

The valuation was made on an open market basis by reference to market evidence of transaction prices for similar properties. The directors have taken account of a range of users for the properties, taking account of the cost of achieving this, rather than existing use only. In their opinion this valuation method better reflects the values that could be achieved in the open market through an arm's length transaction.

11 FIXED ASSET INVESTMENTS

	NOTES	2019 £'000	2018 £'000
Investments in joint ventures and associates	12	6,755	6,218

Movements in fixed asset investments	JOINT VENTURES AND ASSOCIATES £'000
Cost or valuation	
At 1 October 2018	6,218
Additions	5
Revaluation	626
Disposals	(94)
At 30 September 2019	**6,755**
Carrying amount	
At 30 September 2019	**6,755**
At 30 September 2018	6,218

12 JOINT VENTURES AND ASSOCIATES

Details of the company's joint ventures and associates at 30 September 2019 are as follows:

NAME OF UNDERTAKING	NATURE OF BUSINESS	CLASS OF SHARES HELD	% HELD
Social Justice and Human Rights Centre	Letting and management of property	Ordinary	41.93
Ethical Property Europe	Letting and management of property	Ordinary	28.00
Ethical Property Australia	Letting and management of property	Ordinary	30.30

The profit for the financial period ended 30 September 2019 for Social Justice and Human Rights Centre Limited was £1,459k and the capital and reserves at the end of the period was £11,348k.

The profit for the financial period ended 30 September 2018 of Ethical Property Europe Group was £1,419k (based on the average exchange rate during the year) and the aggregate amount of capital and reserves at the end of the period was £9,753k (based on the exchange rate at 30 September 2018).

The financial period end of Ethical Property Australia is 30 June 2019. The loss for the financial period was £251k and the aggregate amount of capital and reserves at the end of the period was £(128)k.

13 FINANCIAL INSTRUMENTS

	2019 £'000	2018 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	215	241
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	641	154
Measured at amortised cost	26,334	22,305

Debt instruments comprise trade debtors and other debtors (note 14).

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and deferred income and the bank loan(note 15) and creditors falling due after more than one year (note 16).

14 DEBTORS

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	147	171
VAT	–	383
Other debtors	68	70
Prepayments and accrued income	462	457
	677	**1,081**

	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
Deferred tax	63	300
Total debtors	**740**	**1,381**

Included within other debtors is a £50k loan to Brighton Open Market CIC. Interest is payable monthly in arrears at a rate of 7% above the Bank of England base rate.

The deferred tax asset is forecast to be realised in more than one year.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank loans	15,056	–
Trade creditors	618	1,388
Other taxation and social security	73	47
Derivative financial instruments	641	154
Other creditors	345	235
Accruals and deferred income	724	839
	17,457	**2,663**

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Bank loans	9,591	19,794
Accruals and deferred income	–	49
	9,591	**19,843**

The loans were taken out to provide development finance for The Green House and capacity for growth.

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

Investment loan 2.5% above 3-month LIBOR

Development loan 3.05% above 3-month LIBOR

Revolving Credit Facility 2.7% above 3-month LIBOR

The Investment and Development loans are part of the Lloyds Green Lending Initiative and benefit from a 0.2% margin reduction providing green lending covenants are met, which include increasing capital expenditure on energy efficiency improvements.

The loan is secured under a fixed and floating charge over the properties.

17 DEFERRED TAXATION

Included in provisions for liabilities is deferred tax on unrealised gains. It relates to the deferred tax on the unrealised gains resulting from the revaluation of investment property. It has been fully provided for in the accounts as detailed below. Included within deferred tax assets is the future tax losses forecast to be offset against future profits within the next five years.

	LIABILITIES 2019 £'000	LIABILITIES 2018 £'000	ASSETS 2019 £'000	ASSETS 2018 £'000
Balances:	–	86	300	300

Movements in the year:	£'000
Liability/(asset) at 1 October 2018	(214)
Charge to profit or loss	151
Liability at 30 September 2019	**(63)**

18 RETIREMENT BENEFIT SCHEMES

Defined contribution schemes	**2019 £'000**	**2018 £'000**
Charge to profit and loss in respect of defined contribution schemes	129	112

The company operates two defined contribution pension schemes for all qualifying employees.

The assets of the schemes are held separately from those of the company in independently administered funds.

19 SHARE CAPITAL

	2019 £'000	**2018 £'000**
Ordinary share capital		
Issued and fully paid		
14,910,708 of 50p each	7,455	7,455

20 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on earnings as set out below and on 14,910,708 (2018: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2019 £'000	**2018 £'000**
(Loss)/profit on ordinary activities before exceptional items, taxation, fair value interest swap and investment movements	(938)	626

The calculations of basic and diluted earnings per share after accounting for exceptional items, taxation, fair value interest swap and investment movements is based on profit of £1,124k (2018: £1,246k) and on 14,910,708 (2018: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

In the opinion of the directors the earnings per share excluding exceptional items, taxation, fair value interest swap and investment movements is a more suitable measure of the underlying performance of the company.

21 OPERATING LEASE COMMITMENTS

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	7	9
Between two and five years	16	16
	23	**25**

Lessor

Standard leases to third parties have a break clause of less than one year. Ten leases with
break clauses of over one year have been identified. The shortest end date of these leases is 6 November 2019, the longest is 31 July 2021. All leases include a provision for upward rent reviews according to prevailing market conditions. There are no options in place for either party to
extend the lease terms.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2019 £'000	2018 £'000
Within one year	293	85
Between two and five years	265	160
	558	**245**

22 ANALYSIS OF NET DEBT

	AT 1 OCTOBER 2018	CASH FLOW	AS AT 30 SEPTEMBER 2019
Cash at bank and in hand	2,270	(1,555)	715
Net debt due within and over 1 year	(19,794)	(4,853)	(24,647)
Net debt	**(17,524)**	**(6,408)**	**(23,932)**

23 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 £111k (2018: £350k) for IT services. The company raised invoices to Ethical IT LLP during the year amounting to £10k (2018: £19k) for management fees and £48k (2018: £46k) for rent and related services. The amount owed by Ethical Property Limited to Ethical IT LLP at the year end was £6k (2018: £38k). The transactions were carried out in the normal course of business. At the balance sheet date the amount due from Ethical IT LLP was £nil (2018: £4k).

The company's share of Ethical IT LLP was disposed of during the year and the company recognised a £47k loss on disposal.

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 of its transactions, including payment of management fees. At the year end the value of the company's investment in the share capital of Social Justice and Human Rights Centre Limited was £4,806k (2018: £4,296k. The company raised invoices to Social Justice and Human Rights Centre Limited during the year amounting to £413k (2018: £380k) for management fees. At the balance sheet date included within debtors, the amount due from Social Justice and Humans Rights Centre Limited was £50k (2018: £38k). Also during the year, Ethical Property Company Limited purchased services totalling £2k (2018: £3k). All transactions were carried out in the normal course of business.

Director P Bellack is a director on the board of Social Justice and Human Rights Centre Limited and Ethical Property Europe. He does not receive remuneration for this work.

24 CONTROLLING PARTY

There was no overall controlling shareholder.

25 CASH GENERATED FROM OPERATIONS

	2019 £'000	2018 £'000
Profit for the year after tax	1,124	1,245
Adjustments for:		
Taxation charged/(credited)	151	(356)
Finance costs	979	140
Income from participating interests	(212)	(163)
Interest receivable	(4)	(4)
Movement on revaluation of investments	(634)	(353)
Loss on disposal of investment property	–	225
Change in fair value of interest rate swap	486	154
Depreciation and impairment of tangible fixed assets	79	44
Movement on revaluation of investment properties	(2,114)	(529)
(Profit)/loss on sale of fixed assets and investments	(110)	–
Movements in working capital:		
Decrease in debtors	404	74
(Decrease) in creditors	(794)	(138)
Cash (absorbed by)/generated from operations	**(645)**	**339**

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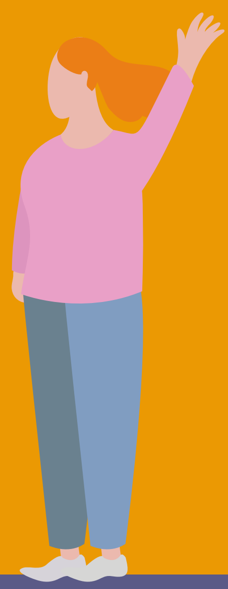

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