ethicalproperty

Annual Report

2019/20

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With thanks to Jane Garton (editing), the team at Fine Print (design and print) and the staff and tenants of Ethical Property for their help in putting this report together. We would also like to thank the following organisations and individuals for allowing us to use their photographs:

CLAPA, p.17(l)

Ethical Property, pp.7, 10, 18, 21, 30

Lisa Payne/Ethical Property, pp.1, 4, 20, 28

Adobe Stock, pp.5, 6(bl), 8/9, 19(br), 23, 29

Vibrance, p.17(r)

WELCOME

Chair's statement

Welcome to our 2019/20 annual report, where you can read about the financial, social and environmental performance of the company in what has been a turbulent year for all. The experience of the Covid-19 pandemic has certainly demonstrated both the resilience and the flexibility of Ethical Property.

While the headline is a financial loss due to a reduction in property values, we feel positive about the role of the company looking ahead. The financial results for the year show a loss of £3.4m, £2.8m of which is due to a reduction in the value of our portfolio in the pandemic. However, the underlying operating profits have increased by £0.9m, which is encouraging. We have not paid a dividend, and have been concentrating on keeping cash in the business and maintaining occupancy levels.

During the year, the Board had to react quickly to the alternating stages of lockdown and opening up of the economy. Early in the pandemic, the Board met weekly to receive briefings from the senior management team (SMT) and to help guide the business through a very challenging period. Both the SMT and non-executives waived fees or took a salary reduction to help, and many staff were furloughed.

Meanwhile our committees (Audit and Risk, Nominations and Remuneration, Property Investment) continued with their essential work. In the summer we were sad to say farewell to our co-founder Jamie Hartzell, who returned to strengthen the Board in 2018. His dedication, passion and enthusiasm will be greatly missed, and we look forward to the opportunity to thank him properly post-Covid.

This year has compelled us to think about how we support tenants, what their needs will be in future, and how to adapt the company's role as landlord in the coming years. We have learned that many of our tenants crave a return to their workspaces as soon as they can safely do so. While some have learned to love home working, there is still strong demand for our serviced offices – and for the sense of community and shared purpose that comes from working alongside like-minded organisations and individuals.

We have committed to becoming a Net Zero company and will continue working on our Environmental Strategy throughout 2021. Our social impact came to the fore this year: prior to the pandemic, tenants were working in so many ways to make a difference in society, and it is heartening to see that this continued throughout lockdown. By keeping our centres open, we enabled tenants to provide much-needed support to some of the most vulnerable people in their communities, and our staff often went above and beyond their usual roles to make this possible.

Last April, shortly after our return to public limited company status, we held our AGM online for the first time, and with some trepidation. As we prepared, we debated how it would work and whether it would make it more difficult to report effectively and be held to account. In the event we were pleasantly surprised, and a number of shareholders thanked us because the online format had enabled them to attend for the first time. We would much prefer to meet shareholders in person at AGMs, but this year we will be repeating the online experience. We very much hope you can join us then.

Finally, I'd like to take this opportunity to thank everyone who has brought the company through what has been a uniquely challenging period. To the tenants, and our dedicated staff who support them, to the senior managers who have been making weekly changes to their plans, to fellow Board members, and to the shareholders who have faith in the company – thank you.

Sam Clarke

Sam Clarke, Chair
Ethical Property

100%

of our gas and electricity came from renewable sources

We significantly increased our self-generated energy to

2.3%

2019/2

All but one of our properties stayed open through lockdown, enabling tenants to continue providing vital services

100%

of sites now on fast fibre internet

2020 AT A GLANCE

Our gender pay gap was

-6.2%

(in favour of women)

91%

of tenants say we offer value for money

95%

of staff enjoy or really enjoy working for Ethical Property

Company rebranded to reflect who we are

"A YEAR LIKE NO OTHER"

Message from the Managing Director

As an ethical company there are always complex decisions to be made. Our triple bottom line is like sitting on a three-legged stool – you have to consider the social, environmental and financial impact of every decision. However, this has been a year like no other, and one that has presented even more dilemmas than usual.

"WE REALLY BENEFITED FROM NOT BEING A TYPICAL LANDLORD AND HAVING STRONG AND SUPPORTIVE RELATIONSHIPS WITH THE ORGANISATIONS WE WORK WITH."

With the emergence of Covid-19, one of the first challenges was to ensure we kept all of our people – staff, tenants and building users – safe. The easiest way to achieve this would have been to close our centres; however, many of our tenants provide critical frontline services and experienced a significant increase in demand. As a result, it was essential that we kept our buildings open and made them Covid-secure. This did impact on our environmental performance, as our safety-first approach resulted in the increased use of single-use products. Wipes replaced tea towels, hazard tape became a quick go-to solution to enforce social distancing, and chemical sanitiser could be found next to every entrance.

Weathering the storm

The second challenge was to ensure that we protected the business. It was clear from the outset that the lockdowns were going to have a significant financial impact, restricting our ability to let space and generate revenue through other building activities. We also recognised the financial impact the pandemic could have on our tenants, so it was vital that in taking steps to protect the company we did so in a way that would also support them.

A key priority was to reduce expenditure and, where possible, pass on savings to our tenants. As a result, the team worked hard to negotiate savings from service providers, which were passed on in the form of discounts.

We also created a rent-deferral scheme to enable tenants to weather the storm by spreading their payments over time. While office rent collections in the UK reduced on average to 60% for the April quarter, our rent collection during this period remained above 90%, which can in no small part be attributed to our efforts to support tenants and communicate with them throughout. Their feedback was invaluable as we continued to adapt our practices to the ever-changing situation.

Another challenge was balancing the need to furlough as many staff as operationally possible while ensuring their wellbeing. The majority of staff were furloughed for significant parts of the year, and others have been required to do exceptional things without their usual support, often alongside the strains of home schooling or shielding vulnerable family members. It was therefore very encouraging to see in the staff survey that 87% of staff felt supported during the pandemic.

Unfortunately, many of our plans for the year had to be put on hold and non-essential spend was frozen. This included the share liquidity scheme, as we focused on building a cash reserve to help us cushion the impacts of Covid.

While these challenges certainly tested the business, they also highlighted some strengths of our model. We really benefited from not being a typical landlord and having strong and supportive relationships with the organisations we work with.

Thankfully, going into the pandemic the company was in a strong position. During 2018/19, we had focused on consolidation following a period of significant transition, with changes to the Board and senior management team and completion of two large projects in Bristol and London. Occupancy levels were healthy, the new buildings were filling up and bookings for our conferencing facilities in London were at a record high. We had also recently invested in upgrading our IT infrastructure and brought in new technology that supported home working and meeting and collaborating remotely.

Strengthening the business

Early in 2019/20, we reached our long-held goal of only buying gas and electricity from suppliers with 100% renewable sources and significantly increased our supply of self-generated energy. While restricting spend and delaying projects, we were still able to make progress in other areas that will strengthen the business in the longer term. This included raising our profile, updating our brand identity and developing a new website that is easier for both property seekers and investors to navigate. The new look brings with it everything that we feel represents Ethical Property – confidence, positivity, inclusivity and inspiration – and will be extremely valuable in our efforts to attract new investors and tenants in the coming years.

"WHILE IT HAS BEEN A YEAR THAT HAS FORCED US TO BATTEN DOWN OUR HATCHES, WE HAVE NOT LOST SIGHT OF OUR AMBITION TO EXPAND OUR IMPACT."

Looking forward, the pandemic does present risks but has also bought new opportunities for Ethical Property. While we will certainly see a move away from commuting and an increase in home working, we are also aware that many tenants are desperate to return to our workspaces and really value the human interaction and intentionally designed spaces on offer.

Over the coming months and years, we will see greater economic and social challenges facing society – and many Ethical Property tenants are brilliantly placed to provide support. In the post-pandemic world, we expect that many of them will see increasing demand for their services, including more public sector contracts to deliver their work. The fact that we own almost all our properties rather than renting them also puts us in a strong position: it means we can repurpose our buildings, change the design and modify them in response to needs.

In the middle of 2020, we witnessed the environment and nature showing some green shoots as human behaviour changed. We've seen people rise to all manner of challenges and step into leadership roles they never thought they'd have to take. We've seen waves of kindness spread across communities as people look out for each other and pause to rethink what really matters. This all bodes well for the future of Ethical Property.

While it has been a year that has forced us to batten down our hatches, we have not lost sight of our ambition to expand our impact, which will mean attracting capital from the right kind of investors – those who are in it for the long term and want a triple-bottom-line return.

Thank you for your support throughout the year.

Conrad Peberdy
Managing Director
Ethical Property

REGIONAL REPORTS

Deputy Managing Director Jonathan Davies is responsible for the delivery of our services regionally and centrally, including HR and IT. He describes how staff and tenants coped with the impact of the pandemic.

Occupancy across the portfolio was steadily growing when we went into the lockdown in March, which helped us weather the six months that followed. Unfortunately we have lost some tenants due to the impact of Covid and the short-term changes to working practices. We have also attracted and welcomed new organisations, which has enabled us to develop new relationships.

I've been incredibly impressed by our tenants' tenacity and commitment to their crucial work. The relationship between us is very important. We work hard to demonstrate that we're not a typical landlord, and this has helped maintain occupancy and the continued sense of community. It was certainly very encouraging to see the positive responses in the tenant survey. While tenant synergy has been limited for obvious reasons, we're seeing a demand for virtual tenant meetings, where organisations are keen to share knowledge on getting their offices Covid-secure. Tenants are also challenging us and helping us improve our own measures, and this collaborative approach will be invaluable as we plan for the wider return to the workspace.

"THE ENERGY, COMMITMENT AND PROBLEM-SOLVING CAPACITY LOCAL TEAMS HAVE SHOWN IN KEEPING OUR CENTRES OPEN AND SAFE HAS BEEN OUTSTANDING."

The commitment of our staff really shone through this year – they have been unfailingly flexible and supportive in their response to the Covid crisis. The energy and problem-solving capacity local teams have shown in keeping our centres open and safe has been outstanding, and I was amazed at the speed and efficiency with which they put the social distancing measures in place. They had great support, advice and materials from our central team, but they have had to come up with solutions and adapt to the ever-changing situation in different types of workspaces, different sized centres, in different cities and very different environments.

In the case of conferencing, the teams at Resource for London and The Foundry did a huge amount of planning and preparation over the summer to achieve Covid-safe accreditation. While conferencing didn't open up to the extent that we'd hoped, their efforts place us in a strong position to recover in the coming year. The markets and retail at Green Park Station and the learning and community space at St Pauls create quite different challenges in terms of keeping users safe. Both centres have been able to keep supporting the local community in so many ways, which is a real credit to these teams.

In 2020 the tech upgrade implemented in the previous 18 months really paid off. We had already signed up to Zoom and Microsoft Teams some time before lockdown, which meant we didn't just come to a grinding halt. In fact, our new IT provider remarked on how little we called on them in the first month of lockdown compared to their other clients!

Staff have had a great deal to handle this year. There have been salary sacrifices, and many had to cope with being furloughed or working through without their colleagues. We've relied on people to be more flexible in their roles and they've stepped up to new challenges, always with positivity. We don't take this for granted. Managers are continuing our commitment to better communication, and are putting emotional support and wellbeing higher up our agenda as we navigate the year ahead.

"THE SUPPORT FROM HEAD OFFICE REGARDING COVID SECURITY HAS BEEN AMAZING AND THOROUGH. WE ARE VERY LUCKY TO HAVE A COMPANY LIKE ETHICAL PROPERTY BEHIND US."

Gem Burgoyne, Centre Manager, St Pauls Learning Centre, Bristol

MIDLANDS, NORTH AND SCOTLAND

Regional Manager Jonathan Macaskill reports on managing change and rising to challenges.

One of the main features of the year prior to lockdown were changes in the regional team: in December 2019, Heike Gabernowitz (Green Fish) and Hazel Conduit (Scotia Works) moved on. Heike had been with Ethical Property for over ten years and Hazel for five; both were highly regarded by their tenants and had done much to improve the buildings they looked after. We were also sad to say goodbye to another valued team member, Alina Zigmantaviciute-Okechukvu (The Old Music Hall), in January. Fortunately, we found strong replacements for all the roles.

There was a complete overhaul of the frontage and reception of The Old Music Hall in Oxford, and at Green Fish in Manchester the second-floor kitchen was refurbished in autumn 2019. The project to establish our own separate gas and electricity supply in Thorn House was finally completed early in 2020. This was a major undertaking and presented a host of challenges, but it means we can now choose our own energy providers, which puts us in a better position to meet our environmental objectives. All properties have benefited from IT improvements, with extra capacity and faster connections proving invaluable given the demand for remote and flexible working.

No sooner had the new team settled in than we were faced with the Covid pandemic and impending lockdown. Throughout all of this I have just been immensely grateful for the hard work of all the team, which has enabled us to keep centres open and safe during this challenging time. A particular shout-out has to go to Jo Newens, our Property Manager in Edinburgh, who has remained steadfast throughout all the changes despite being left physically isolated by Covid.

"I HAVE JUST BEEN IMMENSELY GRATEFUL FOR THE HARD WORK OF ALL THE TEAM, WHICH HAS ENABLED US TO KEEP CENTRES OPEN AND SAFE DURING THIS CHALLENGING TIME."

Occupancy was very high before lockdown, but not surprisingly there have been some losses in the second half of the year. At Thorn House we said farewell to long-term tenants The Melting Pot, who had been there since it opened and occupied the whole top floor. Most movement has been at The Old Music Hall: a few organisations left, while others reduced the space they rent. On a happier note, all of the vacant space at Scotia Works was taken up by existing tenants, and it is now full for the first time in years.

Since March, we have been focused on keeping all the centres available for tenants and Covid-secure. This is in part due to staff being furloughed or working from home, and in part to conserve funds to help support tenants and the long-term future of Ethical Property. The aim now is to catch up on essential works, decorating and affordable improvements that will make tenants feel welcome as they begin to return in greater numbers. There may be tough times ahead, but with the support of the great people in the team I know we will rise to the challenges.

SOUTH WEST AND WALES

From providing space for community initiatives to hosting film crews, it was another busy twelve months for the region, reflects Regional Manager Sarah Campbell.

In this region of very diverse cultures, an enduring resilience and perseverance shone through this year. Green Park Station in Bath has shown its value to the community. The markets were doing well before Covid, but during lockdown the farmers market continued and customers raised funds for food parcels for shielding families, sponsored by Ethical Property. We gained several new tenants and our Property Manager worked tirelessly to bring in events to support the local community and keep the space bustling (see page 20). The filming of BBC and ITV dramas gave everyone a lift and brought in important income for Ethical Property and our tenants.

St Pauls Learning Centre in Bristol was incredibly busy pre-lockdown, with supplementary schools, access-to-work training, craft courses and community engagement meetings, and during lockdown we were able to offer the space to various grassroots initiatives. Filming was the order of the day here too, and we welcomed celebrities including strongman Eddie Hall and chef Michel Roux Jnr for filming of the Christmas episodes of 'Eddie Eats' and 'Remarkable Places to Eat'. This took place in Glen's Kitchen – Glen being something of a local celebrity himself! We were sad to say goodbye to long-term tenants Bristol Refugee Rights, but we welcomed One25 in June and have very much enjoyed working with them. (You can read more about the year at St Pauls, including the positive impact of the Greenway Project, on page 21.)

At the start of the year, Streamline – the newest and most accessible building in the Bristol portfolio – was steadily filling. While this slowed due to Covid, we still managed to attract new tenants, including Boomsatsuma Education, Love to Ride, and Shelter. Brunswick Court had the

> **"OUR BUILDINGS ARE STILL FILLING UP AND WE'RE DOING WHAT WE CAN TO SUPPORT OUR TENANTS TO REMAIN SUSTAINABLE. THE REGION HELD STEADY IN A TURBULENT YEAR, AND NOW WE CAN MOVE FORWARD WITH POSITIVITY."**

lobby refurbished and is now a much more inviting space. Sadly we lost two tenants during lockdown, but we also gained two, with Shelter taking a second office here. We renamed our Colston Street buildings Stowe Centre – both to give the space an identity and move away from the negative association with the slave trade – and we sold our Picton Street buildings to one of the tenants. This went extremely smoothly, and we felt comfortable knowing we were passing the stewardship of these buildings into good hands.

In Cardiff, Hastings House was full before we lost one small tenant. In January, First Minister of Wales Mark Drakeford officially opened the first Welsh office of PAPYRUS UK, who will be working closely with the Welsh Assembly Government for the prevention of suicide in young people. During lockdown, we gained a tenant, WCM Training, who have settled in extremely quickly.

All the staff in the South West and Wales go into 2020/21 with optimism and hope. Our buildings are still filling up and we're doing all we can to support our tenants to remain sustainable. The region held steady in a turbulent year, and now we can move forward with positivity.

SOUTH EAST

Conferencing activity was at record levels and occupancy rates were high and rising until the pandemic struck. Regional Manager Ed Carter reports on the year before and after Covid.

The first half of 2019/20 was a busy and exciting time for The Green House, our brand new, eco-friendly workspace in Bethnal Green. By December we were attracting a great range of tenants – including Global Witness, who took possession of three major units and, after customising their workspace, moved in in February. Behind the scenes, the team set up 14 new annual maintenance contracts covering 21 services, while also resolving outstanding snagging issues with the main contractor.

Upgrades and repairs were carried out as planned across our sites. These included an IT upgrade for the Grayston Centre comms (server) room, which has made such a difference to the feedback we get from tenants about our IT services. Improvements will continue in 2021 with an upgraded 3CX phone system and a wider refurbishment project focusing on the communal areas. At the Eco Centre in Brighton we completed roof repairs and replaced the decking in the courtyard, which has significantly improved the centre for all users.

Before lockdown, Resource for London continued to prove a popular choice as a conference venue; in fact 2019 (January to December) was a record year, with the conferencing business finishing £80K (13%) above target. New toilets were installed on the first floor and new kitchenettes on all floors; we also put in a defibrillator in the reception area, for all building users and the Islington community.

At The Foundry, we were delighted to welcome several new tenants in the first half of the year: Humanist International, Institute of Voluntary Action Research, Church Urban Fund, National Voices, Action on Smoking and Health, and Brazzaville Foundation. International Justice Mission, the world's largest anti-slavery organisation, moved in in March. The flexibility of our spaces has allowed their UK team to create an attractive, functional and versatile office.

> **"TENANTS' FEEDBACK HAS BEEN EXTREMELY VALUABLE IN ADAPTING THE BUILDINGS TO THE EVER-CHANGING COVID REGULATIONS."**

Sadly the pandemic has hit our tenants – particularly the smaller ones – very hard, prompting several of them to downsize or to give up their office space altogether. Every effort has been made to keep the buildings safe and accessible, and we have put signage, procedures and safety measures in place in all our sites. Tenants' feedback has been extremely valuable in adapting the buildings to the ever-changing Covid regulations.

At Resource for London, for example, we obtained both 'Good to Go' and 'AIM Secure' accreditations from Visit England and the Meeting Industry Association (MIA), respectively. These gave the centre Covid-secure venue status meaning we could, subject to restrictions, resume conferencing activities with our exacting and reassuring measures in place. By keeping our buildings open we have enabled tenants to carry out their vital work, in many cases directly supporting local communities and vulnerable people (there are great examples of this on page 17). We have also been able to host essential events at the centre during both lockdowns, including NHS blood donation sessions.

We will continue to work closely with our tenants to face the challenges ahead and to provide workspaces that are flexible, welcoming and safe.

A BETTER IT OFFER

When we talked about 'future-proofing' our IT systems last year, no one could have foreseen the drastic changes to ways of working demanded by a global pandemic. Fortunately our upgrade programme was well underway by March, putting staff and tenants in a strong position to adapt.

Following the audit of our equipment and infrastructure last year by our new service provider, we continued rolling out a comprehensive IT upgrade programme. By March, all our buildings had fast fibre internet lines with much better WIFI coverage, and high-quality video conferencing systems had been installed at nine sites. This was already enabling us to save time and money and reduce our environmental impact by holding meetings virtually – but it also got us all familiar with and working with Zoom before lockdown started. We had also refreshed and replaced all switches, firewalls and uninterruptable power supplies (UPS) in comms room equipment in half of our sites, and installed CCTV in the comms rooms in all our buildings.

Supporting the new ways of working

IT Manager Jason Friedman explains how the focus changed abruptly in mid-March: "We were literally halfway through the three-year upgrade when we went into lockdown. Initially it was all about getting staff and tenants working from home by diverting phones and setting up VPNs (virtual private networks) so they could have secure access to their files. We were able to continue working on the move over to SharePoint, a file-collaboration tool which will really improve the way we collaborate remotely.

"We also started the switch to 3CX – our new, centrally managed phone system. This gives tenants lots of options for flexible working, which will continue to be important as the restrictions ease. And we are moving over to Azure AD, a cloud-based system that will improve security, standardisation and compliance for laptops and mobile devices.

"The aim now is to finish the upgrade in the rest of the sites. As always, I'm looking to the future and making sure that we can give our tenants the best possible IT offer within budget."

Engaging our shareholders

Even the best laid plans can change, and this was certainly the case in March 2020 when we quickly had to adapt our plans for the AGM. By being able to take advantage of the IT systems in place, including Zoom, our AGM went ahead with many of our shareholders in attendance. The feedback we received showed that not having to make a journey to the AGM meant more people had the time to join, and using functions such as 'chat' allowed more engagement. The lessons learnt from this experience will go a long way towards informing our future AGMs.

LISTENING TO OUR STAFF AND TENANTS

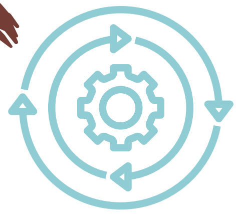
This has been a very challenging year for our staff, with a considerable number of employees placed on furlough from April 2020. We put a programme in place for keeping in touch with everyone through regular team and company-wide Zoom meetings and email updates.

STAFF SURVEY 2020

As with our tenants, we felt it was especially important to gain feedback from staff through our annual staff survey. The results were encouraging, with 87% of staff agreeing that they had felt supported by the company during the pandemic (45% 'strongly agreed' and 42% 'agreed').

87%

of staff felt supported by Ethical Property during the Covid-19 pandemic



91%

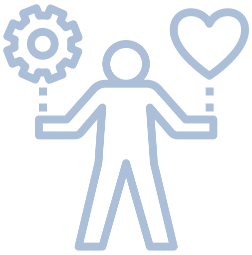
are satisfied or very satisfied with the working culture

97%

personally hold most or all of the company's values, a rise from 90% last year

Data is from the 2020 staff survey; the % shown is of those who responded.

85% feel involved/aligned with the company, a rise from 77% last year



95% of staff enjoy or really enjoy working for Ethical Property, a rise from 91% last year

EMPLOYMENT PRACTICES

We are proud to report an overall median gender pay gap of -6.2%, in favour of women. In 2021, we will be setting up a working party to recommend a full diversity policy for Ethical Property for both our staff and Board; this will include indicators to ensure we can report back to our shareholders. We will report on this in the next Annual Report.

To ensure our staff are paid fairly we undertake a benchmarking exercise every two years, using data from recognised organisations across the country to assess similar roles in the market, using different variables. The exercise was carried out in February 2020, with all roles included. Certain roles were identified as being remunerated below market rate, so the decision was taken to improve pay for some roles in November 2020.

As explained in our staff handbook and in line with the Quintessentials, we are committed to a highest-to-lowest salary ratio of no more than 5-1 if under 50 full-time employees, or no more than 7-1 if we have 50-250 full-time employees. The current ratio is 3.81.

As a company, we encourage all staff to consider the environmental impact of commuting or travelling for work. Our travel survey in 2019/20 showed that prior to the pandemic, staff much preferred walking, cycling or using public transport. After the start of the pandemic, the majority of staff were home-based. For those who had to travel, safety was the priority and the use of public transport declined.

We asked staff: "How do you normally travel to work? If you use a combination of the following in any ONE journey, please let us know all that apply."

	BEFORE THE PANDEMIC	SINCE THE PANDEMIC	WEIGHTED AVERAGE
None – home-based	0.00% 0	22.7% 5	9.4%
Walking	22.6% 7	18.2% 4	20.8%
Bicycle (including pedal-powered battery charged motors)	32.3% 10	18.2% 4	26.4%
Public transport (train/bus/tube/tram)	38.7% 12	13.6% 3	28.3%
Electric or hybrid vehicle (including e-bikes that are recharged by electricity)	0.00% 0	0.00% 0	0.00
Fuel-based vehicle - individual user	3.2% 1	22.7% 5	11.3%
Fuel-based vehicle - shared users	3.2% 1	4.5% 1	3.8%
	31	22	

TENANT SURVEY 2020

Every year we ask our tenants for their feedback and in 2020 this was more important than ever, as we endeavoured to make our workspaces safe and welcoming. It's very encouraging that the vast majority of tenants feel we offer value for money and would recommend us to other organisations. As always, we will take tenants' views into account with any changes we make in the future.

78%

feel their centre represents their organisation and their values well or very well

91%

of tenants agree that we offer value for money, up from 89% last year

72%

are happy or very happy with the appearance of their centre

89%

said they would recommend us, a rise from 75% last year

84%

are satisfied or very satisfied with their centre

Data is from the 2020 tenant survey; the % shown is of those who responded.

"THE MEASURES PUT IN PLACE AT THE GREEN HOUSE – INCLUDING THE REGULAR CLEANING AND SIGNAGE – LEAD TO A SAFER AND MORE CONFIDENT WORKING ENVIRONMENT FOR OUR STAFF."

Paul Allen, CEO of Vibrance, The Green House, London

"WHEN THE LOCKDOWN HIT, KEEPING THIS VITAL SERVICE GOING WAS AT THE TOP OF OUR PRIORITY LIST. WITH SO MANY LOGISTICAL CHALLENGES TO WORK THROUGH, IT WAS SUCH A HUGE RELIEF TO KNOW THAT ACCESSING OUR OFFICE WOULDN'T BE ONE OF THEM!"

Anna Martindale, Cleft Lip and Palate Association (CLAPA), The Green House, London

83%

are satisfied or very satisfied with communications with their property management team

83%

said our centres benefit the wider community, up from 78% last year

SOCIAL IMPACT

Our workspaces are home to some of the most innovative changemakers in the UK. During the last year we housed 276 tenants who are working to make a difference to society and the environment – locally, nationally and globally. Many were able to keep delivering vital services because we kept our buildings open and safe.

Our tenants include charities, not-for-profits and campaigning organisations through to independent retailers, creatives and ethical businesses. They are tackling issues ranging from sustainability and ethical finance to poverty and inequality, domestic violence, homelessness and conflict resolution. We believe that everybody has a part to play in creating a fairer, greener, more inclusive society.

Organisations based in our owned centres, by legal form and nature of activity

Organisation type	No. of occupants	% of total	Area occupied (m^2)	% of total area occupied
Registered charity	140	50.7%	10,246	57.5%
CIC	8	2.9%	314	1.8%
MP local office	1	0.4%	29	0.2%
Other not-for-profit (non-trading)	29	10.5%	1,630	9.1%
Trading organisation	93	33.7%	5,127	28.8%
Trade union	2	0.7%	105	0.6%
Political party	1	0.4%	29	0.2%
Public body	2	0.7%	347	1.9%
Total	276	100.0%	17,826	100.0%

Area of work	No. of occupants	% of total	Area occupied (m^2)	% of total area occupied
Animal rights	0	0.0%	0	0.0%
Civil rights	2	0.7%	69	0.4%
Community arts	21	7.6%	875	4.9%
Community development in the UK	35	12.7%	2,145	12.0%
Environment	28	10.1%	1,588	8.9%
Ethical finance	3	1.1%	170	1.0%
Global justice	8	2.9%	343	1.9%
Health	32	11.6%	2,287	12.8%
Homelessness	8	2.9%	550	3.1%
Human rights	24	8.7%	1,674	9.4%
International development	23	8.3%	1,291	7.2%
Local business	28	10.1%	1,819	10.2%
Mainstream business	10	3.6%	547	3.1%
Organisational support	31	11.2%	2,308	13.0%
Peace and conflict resolution	8	2.9%	607	3.4%
Refugee and ethnic minority issues	9	3.3%	583	3.3%
Women's rights	6	2.2%	968	5.4%
Total	276	100.0%	17,826	100.0%

From 1 October 2019 to 30 September 2020 we had 276 occupants, 12 of whom held desk licences.
There were 56 moves in and 76 moves out. Area occupied rounded to nearest m^2.
For a full list of tenants, please see www.ethicalproperty.co.uk

CLEFT LIP AND PALATE ASSOCIATION THE GREEN HOUSE

The Cleft Lip and Palate Association (CLAPA) is the only supplier of specialist feeding equipment for babies born with a cleft in the UK. Each year, we dispatch around 15,000 special bottles and teats from our small office to families in need and specialist NHS teams, helping babies to leave hospital faster and thrive without the need for constant medical intervention.

"WE'LL CONTINUE TO MAKE SURE THE 1,200 BABIES BORN WITH A CLEFT IN THE UK THIS YEAR HAVE EVERYTHING THEY NEED TO THRIVE AT HOME, NO MATTER WHAT ELSE IS HAPPENING OUTSIDE."

When the lockdown hit, keeping this vital service going was at the top of our priority list. With so many logistical challenges to work through, it was such a huge relief to know that accessing our office wouldn't be one of them! From March, two of us came into The Green House twice a week to run the service, and while it was very odd indeed to be without the rest of our colleagues, the building's friendly, helpful team were a massive source of support and much-needed camaraderie at this time.

On the odd days that a few extra colleagues had to come in, the Covid-secure measures in the building were reassuring, and when we are eventually in a position to fully reopen, we will be able to do so with confidence. In the meantime, we'll continue to make sure the 1,200 babies born with a cleft in the UK this year have everything they need to thrive at home, no matter what else is happening outside, and we'll continue to be extremely grateful to all The Green House staff for making this possible.
Anna Martindale,
Communications & Information Manager, CLAPA

VIBRANCE THE GREEN HOUSE

Vibrance supports more than 4,000 people with learning disabilities, autism and mental health issues across London and the South East by providing a range of community day services, low-support housing, nursing and care homes, short breaks and supported employment.
In March 2020 – at the end of its 30th anniversary year and following a merger with Haringey Association for Independent Living (HAIL) – the charity moved into The Green House in London. Paul Allen, Vibrance CEO, describes why the move made sense:

"The sustainable nature of the offices, coupled with the ability they give us to implement a completely modern way of working, meant we were very keen to make this the next stage in the Vibrance journey. The ethical approach of the owners of the new offices fits perfectly with what Vibrance stands for and played a major part in us deciding to move here. That, plus the fact that the offices are so accessible and at the heart of a lively part of East London, ensures we are able to attract the very highest calibre of person to the organisation whilst continuing to serve the families and individuals who benefit from the services we provide."

"THE ETHICAL APPROACH OF THE OWNERS OF THE NEW OFFICES FITS PERFECTLY WITH WHAT VIBRANCE STANDS FOR AND PLAYED A MAJOR PART IN US DECIDING TO MOVE HERE."

The pandemic has been a massive challenge for the whole social care sector. Paul explains how the organisation coped: "We acted quickly to assess the risks to the many vulnerable people we support and to our staff, to ensure we were prepared for the inevitable impact of people needing to self-isolate or being diagnosed with the virus. We increased the capacity for staff to work from home, but the vast majority of our staff are hands-on and cannot do this.

"Our priority is to ensure continuity for our service users and families who most rely on our support throughout these challenging times," Paul continues. "Although many of our head office staff worked from home during lockdown, we found the staff and management at The Green House accessible and supportive. The measures put in place – including the regular cleaning and signage – lead to a safer and more confident working environment for our staff."


THE FOUNDE

TENANT SYNERGY

Our centres are much more than workspaces – they are vibrant hubs which bring like-minded people together to create change in their own communities and far beyond. Here's a look at just some of the things tenants at The Foundry in Vauxhall got up to in 2019/20, pre-lockdown.

In October, we joined **Zero Waste Week** which aims to increase recycling, reduce landfill and promote a 'circular economy' (in which resources are kept in use for as long as possible and materials and components are recovered, repurposed or recycled so that they re-enter the economy). Every day, for five consecutive days, we took part in a challenge to reduce waste to tackle climate change, with tips on shopping for food without excess packaging, becoming a conscious fashion consumer, having a plastic-free bathroom, etc.

Our first **Christmas Breakfast** was a great success. Tenants got to know each other better over a sumptuous breakfast, to the sound of Christmas carols brought to us by Archbishop Tenison's School. We also pledged to fill Christmas stockings with essential gifts and treats for homeless people, which we donated to the Simon Community charity.

In early 2020, we launched The Foundry lunchtime group **Run & Chat**. Part of our ongoing Wellbeing Programme, the group organises social runs that are open to people of all abilities. It's a great way to improve fitness while meeting and socialising with fellow Foundry tenants.

As part of our commitment to support the regeneration of the local community and promote the London Living Wage, we partnered with Lambeth Council to organise an event on **improving wellbeing** among people living in poverty. More than 100 people took part – including representatives from the NHS, South Bank University, the Department for Work and Pensions, and a range of voluntary and community organisations – and feedback from delegates was very positive.

The Foundry teamed with Prisoners' Education Trust and started the **Equality Book Club**, an informal group that discusses social justice issues and themes arising from books, podcasts and films.

In partnership with Camberwell Subterranea, a small community workshop, we ran a **Basic Bike Maintenance and Fix-It** training session for our cyclist tenants, where they learned about bike components, cleaning and lubrication... and how to repair punctures.

In the year ahead, we look forward to working together and supporting each other and the wider community to help build a better, greener, fairer society in the wake of the Covid crisis.

BEACONS OF HOPE

GREEN PARK STATION

It's been a tough year for traders, but with its unique setting, open spaces and collective ethos, Green Park Station in Bath has provided a vital hub for retailers, charities and the community during and between lockdowns. Property Manager Charles Beer reflects on some of the highlights.

When we came back from lockdown we were really busy. Although Green Park Station has a roof, the sides are open and it's got this airy feel, which gives people a sense of confidence. Soon after we opened up, we sold our last remaining shop space and welcomed three new tenants to our retail huts. So given what's going on in the high street, we've kind of bucked the trend. It's partly the nature of the space, and also the fact that we've got a real community here – and I think that with people not working in the traditional way, things are going to be more community-based in future.

> **"IT'S BEEN A HECTIC YEAR WITH LOTS OF CHALLENGES, BUT WE'VE TREATED THEM AS, 'OK THAT'S ANOTHER HURDLE TO OVERCOME', NOT A BARRIER TO STOP US."**

Another thing we've been trying to do here is to create a street food hub, and we've now got eight different street food sellers. Saturday is our busiest day. The other Saturday there must have been 50 people either buying food, eating food or thinking about buying food. So I was just like, 'Wow, it's worked!' For me it is testament to what everybody here has done – everyone has chipped in to keep things going.

In early September, the BBC spent two days here filming for their drama, 'The Pursuit of Love'. They converted Green Park Station into a late-1930s Paris railway station at rush hour – it was brilliant. That really brought everyone together. During the year we've also had filming for an ITV gameshow and a Channel 5 series on railway architecture, and we've already had production companies show an interest for next year.

> **"WE'RE A COMMUNITY AND A COLLECTIVE – IT'S NOT ONE PERSON'S TRADE AT RISK, IT'S EVERYONE'S TRADE AT RISK, SO EVERYONE'S PULLING TOGETHER."**

We have local choirs and orchestras here on Saturdays and Sundays after the markets have finished, because they've got nowhere else that's safe to perform, and we've also provided the venue for two major charities in Bath to hold their main annual fundraising events. Julian House provides end-of-life care and Genesis helps rough sleepers. The charity sector is really struggling so it was very important for them to be able to go ahead with their fundraisers. Also, the Bath Film Festival couldn't be held in cinemas this year so it's coming to us and it's pretty much sold out. This is a fantastic thing for Green Park – it's going to really make us the focus of everything that's going on in Bath in the middle of December, especially with there being no Christmas market this year.

It's been a hectic year with lots of challenges, but we've treated them as, 'Ok that's another hurdle to overcome', not a barrier to stop us. We're a community and a collective – it's not one person's trade at risk, it's everyone's trade at risk, so everyone's pulling together. Everyone knows it's tough for everybody, so everyone's trying to help out.

ST PAULS LEARNING CENTRE

The St Pauls Learning Centre in Bristol was going from strength to strength before the pandemic hit. Centre Manger Gem Burgoyne reflects on the many positives that emerged from a challenging year.

Having spent a year on reception, I started in the role as Centre Manager at the end of February, when everything kicked off. Luckily, I'm good in a crisis! Pre-pandemic, the centre was really busy and achieving its full potential, so it was tough to have to scale back. That said, the support from head office throughout regarding our Covid security has been amazing and thorough. We are very lucky to have a company like Ethical Property behind us.

In response to Covid, many grassroots projects have sprung up and we supported these where possible, providing printing for children's activity packs and space for the packing and storing of hampers for local families celebrating Eid. Our closed indoor café seating area is now used by a group of local residents to run their own click and collect, group-buying service. This is a brilliant initiative which is getting fresh food to local people at low cost and without the plastic waste you get with supermarket buying. Twenty-five families signed up overnight, and lots more have since joined.

Another highlight this year has been the Greenway Project. This is made up of a consortium of local organisations with the aim of highlighting an off-road route to encourage cycling and walking, and creating attractive spaces where communities can come together. Initially planned to start with a shared meal, lockdown turned it into an online recipe-sharing campaign. Food became a central part of people's lives in lockdown, so it was very timely.

Inspired by these recipes, the centre has now been painted with fabulous murals depicting the range of ingredients used in the community. It's a beautiful demonstration of the many nationalities and cultures that make up St Pauls. When the centre first opened and was run by the council, and I benefited from subsidised courses here, it always had a bit of an institutional feel. The simple act of covering the building in murals has really connected it visually with the rest of the area and makes us more inviting and something to admire. Outdoor tables, benches and bike racks were also installed, invigorating the outdoor café culture and the green at the front of the building. And this is just the beginning – we hope to continue working together with the other organisations to bring more funding and infrastructure improvements into the community.

> **"LOCKDOWN HAS PROVIDED AN OPPORTUNITY FOR LOCAL COMMUNITY ORGANISATIONS TO CREATE STRONGER NETWORKS AND REALLY WORK TOGETHER."**

Looking ahead, I'm keen to develop the community café hub, forming partnerships to provide more support for the local community such as drop-ins around jobs, benefits, wellbeing and community issues. Face-to-face services have been lost due to Covid, with so much of life now relying on internet access. Digital poverty is very real in our community, so an important aim is to get the library computers in our café back in use and provide people with the support to navigate this. Lockdown has provided an opportunity for local community organisations to create stronger networks and really work together, something that will be of huge benefit during the pandemic and beyond.

ENVIRONMENTAL PERFORMANCE

Most human activity has some negative impact on the environment, and our activities are no exception: we use building materials to maintain or improve our properties; we provide heating, water, lighting and power for our tenants; and our staff and tenants travel to work, consume resources and generate waste. Ethical Property is committed to minimising the negative environmental impacts of these activities by:

- Minimising our CO_2 emissions
- Reducing water consumption
- Promoting sustainable transport
- Using sustainable materials
- Reducing waste.

In 2019/20 we continued to work to improve our environmental performance. We significantly increased our self-generated energy programme, in line with our current goal of 4% against total consumption, from 1.5% to 2.3%.

Reducing our energy consumption and carbon emissions

We work to a target of remaining below 170 kWh per square metre for each building, and we are pleased to report that we have achieved this for all but three of our buildings. We continued to keep below this target for the whole portfolio, which achieved average energy consumption of 134 kWh/m².

Continuing to reduce energy consumption consistently across all our properties is challenging, as some of our buildings are very different in their nature and purpose. For example, we have centres with shops, such as Green Park Station, and centres with cafés that serve the community, such as St Pauls Learning Centre, that will always have a higher energy consumption. The overall figure this year is reflective of a standard winter and spring of full buildings, followed by the Covid constraints and greatly reduced occupancy over the summer months.

Our electrical consumption decreased by 12.3% compared to 2018/19. This is in some part due to the Covid-19 lockdowns, which meant far fewer people were using our workspaces between March and September. Our buildings remained open throughout, so the reduction is moderate, but still gratifying. The lower number of people using the centres also means that our water consumption is down by 25% in comparison to last year.

Electricity generation is the biggest source of CO_2 emissions in the UK after transport, and a major contributor to climate change. In 2019/20 we finally achieved our target of only using gas and electricity suppliers with 100% renewable sources, and because of this, our indirect emissions of CO_2 have fallen to a negligible level. In 2020/21, as we continue to formulate our 'Net Zero' strategy, we will focus on the CO_2 emissions associated with businesses that we work alongside but do not have direct control of – so there will be challenging times ahead.

Energy from gas and wood

Gas use and its impact continues to be a high priority, and to this end our programme of replacing/reducing inefficient machinery continues. We have replaced boilers in Durham Road and Scotia Works and will replace more in the coming year.

A shared biomass boiler at Brighton Junction uses wood pellets to provide heating for water and space. Wood pellets are responsible for just 7.5% of the CO_2 emissions associated with burning natural gas for the equivalent amount of kWh. The biomass boiler provided 27.4% of our energy for heating and hot water at Brighton Junction in 2019/20 (down from 35.7% in 2018/19).

The environmental impacts of Covid-19

The safety of all building users is our number one priority, but in making our buildings Covid-secure we cannot lose sight of our environmental impact. We repurposed what we already had, wherever possible – for example, using existing recyclable containers for cleaning products – and chose a recyclable cardboard construction for our hand-sanitising units.

Almost all of our new signage was created in-house and is paper-based. We had to remove a lot of shared resources, such as crockery and tea towels, and replace them with disposable, recycled alternatives. This was a necessary choice for safety but a step back for the environment. We will continue to carefully monitor our practices as we work with tenants to create safe workspaces without compromising our environmental goals.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Owned centres

	Rating bands	Centre	Rating	Benchmark	Better than benchmark?
Most efficient	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
	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
		Stowe Centre	98	72 (C)	No
	E 101-125				
	F 126-150				
Least efficient	G Over 150				

Managed centres

	Rating bands	Centre	Rating	Benchmark	Better than benchmark?
Most efficient	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				
Least efficient	G Over 150				

Scottish centres

	Rating bands	Centre	Rating	Benchmark	Better than benchmark?
Most efficient	A+				
	A 0-25				
	B 26-50				
	C 51-75				
	D 76-100	Thorn House	53	38 (C)	No
	E 101-125				
	F 126-150				
Least efficient	G Over 150				

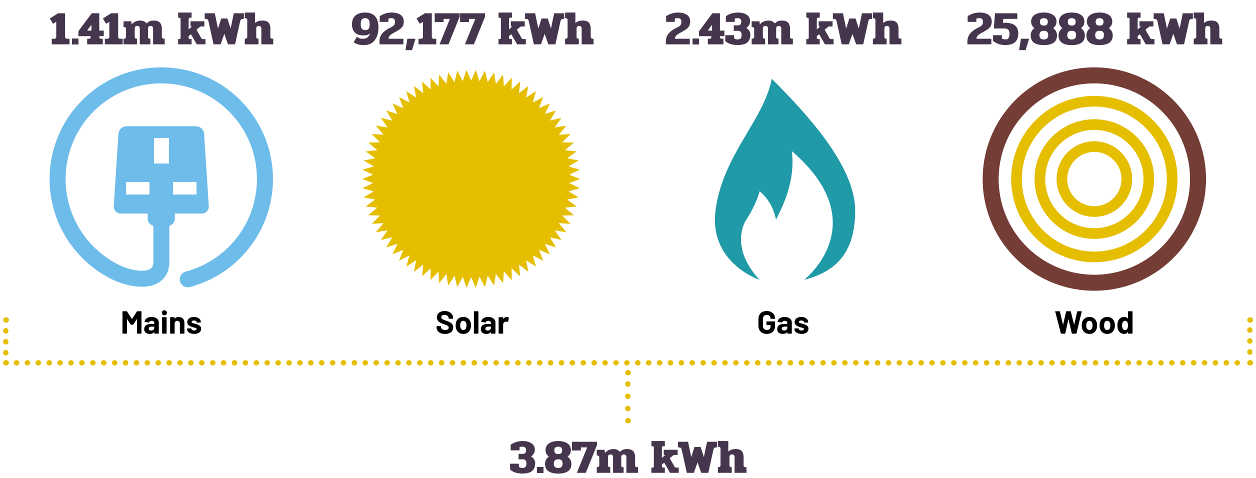
Energy use by property

Property	Mains electricity consumption (kWh per m²)	EPC-generated (solar) electricity consumption (kWh per m²)	Gas consumption (kWh per m²)	Wood consumption (kWh per m²)	Total consumption (kWh per m²)
Brighton Eco Centre	25.4		73.5	0.0	98.9
Brighton Junction	59.6		16.7	25.9	102.2
Brunswick Court	41.4	4.2	68.6	0.0	97.3
Durham Road Resource Centre	38.2		144.0	0.0	182.2
The Foundry	75.8		94.9	0.0	170.8
Grayston Centre	43.5	2.6	45.6	0.0	81.3
Green Fish Resource Centre	54.9	12.2	82.6	0.0	100.9
The Green House	41.1	3.4	67.3	0.0	98.4
Green Park Station	52.0		113.4	0.0	165.3
Hastings House	39.5	5.1	127.7	0.0	151.9
The Old Music Hall	41.9	4.1	47.5	0.0	77.0
Picton Street Centre	16.9		123.0	0.0	139.9
Resource for London	54.9		0.0	0.0	54.9
St Pauls Learning Centre	79.7		221.1	0.0	300.8
Scotia Works	31.4		99.0	0.0	130.3
Stowe Centre	33.7		57.9	0.0	91.6
Streamline	25.8	20.5	51.9	0.0	16.2
Thorn House	15.0		64.5	0.0	79.5
Total		**52.1**			**134.8**

WHERE OUR ENERGY CAME FROM

In 2019/20, 6.1% of our electrical energy consumption was self-generated and we reached our target of only using gas and electricity suppliers with 100% renewable sources.

Average energy consumption across our buildings was 134 kWh/m² for the year.



FINANCIAL PERFORMANCE

SHARE PERFORMANCE

Shares in Ethical Property are purchased and sold on Ethex, a matched bargain market. During the year, 326,896 shares were matched at an average price of £1.12 per share in 26 transactions. Most of these transactions occurred before the pandemic.

The Net Asset Value (NAV) per share is £2.81. The average matched price was at a 60% discount compared with the NAV.

At the end of the year, 138,945 shares were available to buy at prices ranging from £0.95 to £1.20.

The share liquidity scheme was due to be launched this year with the aim of making it easier for investors to buy and sell Ethical Property shares. We expect the share liquidity scheme to be cash neutral in the medium term, but requiring a level of investment in the short term. Due to the economic risk created by the pandemic, we decided to delay the launch of the share liquidity scheme and retain cash in the business.

Ethex has over 20,000 active investors since 2013 and has raised more than £100 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

SHAREHOLDINGS

At Ethical Property, we aim to invite many shareholders with a range of holdings to invest with us. The maximum amount of shares one person can own is 11%.

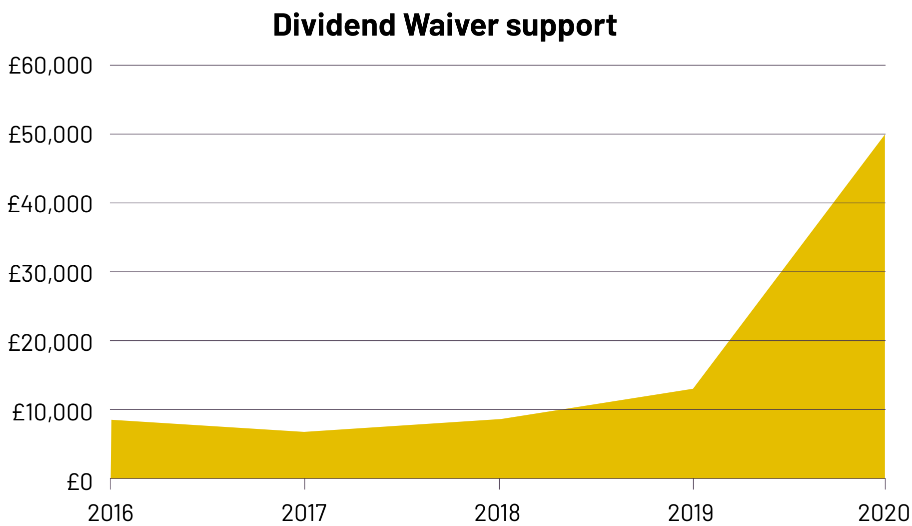
Number of shares held	Number of shareholders	Total shares	% of all shareholders	% of all shares
500 or less	300	116,521	22.95%	0.78%
501 to 1,000	242	226,382	18.52%	1.52%
1,001 to 2,000	194	324,205	14.84%	2.17%
2,001 to 5,000	246	914,081	18.82%	6.13%
5,001 to 10,000	149	1,199,343	11.40%	8.04%
10,001 to 50,000	138	3,021,940	10.56%	20.27%
50,001 to 100,000	16	1,105,291	1.22%	7.41%
100,001 to 500,000	17	4,103,502	1.30%	27.52%
500,001 to 1,000,000	4	2,729,443	0.31%	18.31%
1,000,001 to 5,000,000	1	1,170,000	0.08%	7.85%
2020 total	**1,307**	**14,910,708**		
2019 total	**1,313**	**14,910,708**		

DIVIDEND WAIVER FUND

Dividends that have been waived by our shareholders are used to support tenants who need it the most. This year, the dividend waiver has been used by more tenants than ever.

At the start of the year, the fund totalled £51,322. During the pandemic, the fund supported nine tenants. This support helped these tenants to survive. A donation was also made to Ethical Property Foundation, an independent charity that provides free advice and training to the voluntary sector on property and tenancy issues.

The fund was fully spent during the year and won't be able to support more tenants until it is replenished when the next dividend is paid. If you are interested in waiving future dividends, please contact us at: invest@ethicalproperty.co.uk



BOARD OF DIRECTORS

Our Board consists of six non-executive Directors and one Managing Director, who meet at least five times each year.

Sam Clarke, Chair

Sam has chaired a number of values-driven organisations, including New Economics Foundation, Friends of the Earth, the Climate Coalition and the Low Carbon Hub. Sam lives in Oxford and previously chaired the company from 2000 to 2010. Sam sits on our Nominations and Remuneration Committee.

Paul Bellack

Paul has been with Ethical Property since 1999. He spent 19 years as property investment fund manager for Sun Life of Canada. Paul founded and runs a commercial property investment company and has worked with various social change groups. Paul is also a non-executive Director for Ethical Property Europe, The Social Justice and Human Rights Centre and Ovesco. Paul sits on our Property Investment Committee.

Juliet Can

Juliet is a Director of Stour Trust and co-founder of Stour Space, providing affordable work, civic and creative spaces. 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 worked in the third sector, focusing on social justice issues. Juliet sits on our Nominations and Remuneration Committee.

Mark Luntley

Mark qualified as a CIPFA accountant in 1982. He worked at director level within local government, developing and managing a project to create a bond agency allowing councils to raise infrastructure finance. He is a Director of MECISE and sits on the Board of Energy4All, Westmill Solar, Westmill Wind Farm Coop and REScoop. Mark sits on our Audit and Risk Committee.

Monica Middleton

Monica has almost 30 years' experience across a diverse range of organisations, and focuses on enterprises that pursue a blend of financial, environmental and social imperatives. Her most recent executive position was UK Managing Director for Dutch international ESG investor, Oikocredit. She is a non-executive Director for Cafédirect plc (also Chair of their Guardian Share Company and Remuneration/ Nominations Committee); the Liberty Steel Group; and UK Women in Social Finance. Monica sits on our Property Investment Committee.

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 and has worked in central and local government and charitable funds. Anne-Marie runs an Edinburgh-based charity and social enterprise providing affordable space for the third sector. Anne-Marie sits on our Audit and Risk Committee.

Conrad Peberdy, Managing Director

Conrad was appointed as Managing Director in January 2019, having joined Ethical Property in December 2009 as Director of Development. He previously worked for one of our tenants, as Managing Director of Bristol East Side Traders, an innovative, Bristol-based regeneration company. Conrad sits on our Property Investment Committee.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AUDITOR'S ASSURANCE STATEMENT

The Ethical Property Company PLC, 2021

Scope and objectives

The Ethical Property Company PLC ('Ethical Property') commissioned Adrian Henriques ('the Auditor') to undertake independent assurance of pages 2-3, 12-16 and 22-25 of its 2019/20 Annual Report ('the Report'). The Auditor has no other relationships with Ethical Property that might compromise his independence. This is the eleventh 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 PLC 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 and interviewed staff. Feedback was provided to Ethical Property on drafts of the Report and other material and where necessary changes were made.

The Auditor is satisfied that he has 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 second time that Ethical Property has reported using the Framework. There have been minor changes to the Framework from that used last year. The data reported this year has been significantly more extensive than last year, which is welcome.

For nearly all the Framework indicators reported, Ethical Property has achieved the level of performance expected. In addition, over twice the number of Framework indicators have been reported on this year.

In general, the data reported seems robust and the environmental performance data collection and recording system has been significantly improved.

Adrian Henriques - London, January 2021

ethicalproperty

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

THE ETHICAL PROPERTY COMPANY PLC

Company information

Directors	S Clarke (Chair)
	P Bellack
	J Can
	M Luntley
	M Middleton
	A O'Hara
	C Peberdy
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 FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present their Strategic Report for the year ended 30 September 2020.

Business review

The financial year started well, with growing interest and occupancy in the new buildings. We were able to convert the development loan with Lloyds Bank, which was used to construct The Green House, into an investment facility. This has secured our lending until 2023, which is reflected in the balance sheet.

We had decided early in the year to sell a small building in Bristol. This sale completed in May and transitioned with the tenants in situ.

In response to the resolution passed at the Extraordinary General Meeting, we registered as a public limited company in March.

During the lockdowns which began in late March in response to the Covid-19 pandemic, we kept all but one building open. This enabled the many tenants who provide key services to keep running. We implemented Covid-secure measures in the buildings to ensure we could provide safe working environments.

We furloughed 65 staff and arranged discounts with our suppliers; savings on running costs were passed on to tenants, in the form of discounts, until September.

For tenants who were experiencing financial hardship due to the pandemic, we arranged rent deferral and repayment periods. While office rent collections in the UK reduced on average to 60% (Re-Leased.com) for the April quarter, our rent collection during this period remained above 90%. Frequent communication with tenants and responsiveness to their requests contributed to this success. We benefit from having a diversity of tenants, and are not overly reliant on areas of the business sector that are most impacted by Covid-19.

We focused on cash retention to build a reserve to cushion the impact of the pandemic. A dividend was not paid this year, Directors waived their fees and the Managing Director sacrificed part of his salary. Non-essential spend was frozen, including the share liquidity scheme. We drew down the revolving credit facility with Lloyds Bank, which increased cash by £2m.

All properties were due to have external valuations this summer. This was postponed due to the uncertainty in the property market and the challenge of physically visiting buildings during lockdown. The Directors undertook an internal valuation for the year end; this reduced the value of portfolio by £2.8m, which was considered to reflect the impact of the pandemic.

We have progressed some strategic goals, including raising our profile by delivering a brand refresh and launching a new website. The website is easier to navigate and designed with our stakeholders in mind, with a dedicated space for investors. It makes it much easier to search for office space and promotes cross-selling in regions. We are able to upload information and videos with greater ease and at lower cost, making the website a key tool in our strategy to attract new tenants and grow the business.

We continued our programme of improving IT infrastructure in our buildings, with upgraded phone services, better WiFi coverage, more video conferencing facilities and increased security in comms rooms.

Key Performance Indicators

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).

	2020	2019
Net lettable area ('000 square feet)	177	180
Occupancy	81%	71%
Gross profit (£'000)	2,331	1,879
Return on book cost	3.5%	2.8%

The net lettable area has decreased slightly from last year, due to the sale of the small building in Bristol.

Occupancy started the year at 76%, peaked at 85% in March, before the pandemic, and ended the year at 79%. On average across the year, occupancy was 81%. This is higher than last year, mostly due to increased occupancy at The Green House in London.

Gross profit has also improved, driven by the higher levels of occupancy. This has increased rental income and improved cost recovery of services. Some spend was delayed due to the pandemic.

Return on book cost compares the profit generated by the buildings with their book cost. This is the money invested in the buildings, rather than the current value. Over the year the buildings generated 3.5% on the book cost, which is an improvement on last year and again reflects the higher levels of occupancy.

Results and dividends

The loss for the year is £3,427k (2019: £1,124k profit), due to the revaluation of property (£2,809k) and lower dividends from investments (£212k). The operating profit is £675k (2019: £224k loss), an improvement of £899k. This increase is due to improved occupancy and lower spend this year.

Turnover has increased by 8% due to higher levels of occupancy, offset by lower levels of recharges to tenants and contracts. Cost of sales decreased by 3% due to spend control in response to the pandemic and less activity in the buildings, and also because we negotiated lower costs (both temporary and long term) with suppliers. Other operating income is income from the government's Job Support Scheme (£263k).

Administrative expenses have decreased by £142k (7%). This is due to spending freeze, lower Board and staff costs, reduced travel, lower rates on empty spaces and management of costs.

Movement on revaluation of investments consists of the decreased value of our investment in Social Justice and Human Rights Centre Limited, partially offset by the gain in the value of our investment in Ethical Property Europe. Social Justice and Human Rights Centre Limited generates income from conferencing activity, which has been adversely affected by the pandemic. The lower levels of income also affect the value of the property. Ethical Property Europe publishes its financial statements later than The Ethical Property Company, so the increase in value is based on the increase in net asset value for the year ended 30 September 2019. Neither investment paid dividends in the financial year; however, both investments continue to operate as a going concern.

Movement on revaluation of investment properties reflects the impact of the valuation of buildings owned by The Ethical Property Company. The Directors considered the market data for the local area of each building, and the impact of the pandemic. There is a reduction in value of the properties of £2.8m, mostly accounted for by the larger properties in London. Some properties outside of London have increased slightly in value, reflecting increasing market rent in their local area.

Interest payable is £1,125k (2019: £979k). We have benefited from lower interest rates, although 75% of our lending is hedged and has a fixed interest rate. The cost is higher than last year, due to extension fees for extending the facility to 2023.

The 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 £100k (2019: £486k). This is a revaluation movement and does not affect cash flow.

Cash flow

Cash held in the business has increased by £1,610k during the year, as part of the strategy to build a reserve to cushion the impact of the pandemic. Cash generated by activities is £725k, reduced to net outflow of £315k after interest payable. We invested in assets (£154k) and received cash from the sale of one property. Borrowing was increased by £1,925k.

No dividends were paid during the year. The share liquidity scheme and plans for share raises were delayed as the company focused on responding to the pandemic and building cash reserves to cushion its impact in the medium term.

The cash balance as of 30 September 2020 was £2.3m. Cash flow modelling and testing has been applied to review the resilience of this balance in relation to the longer-term effects of the pandemic. We have successfully applied for additional lending of £250k under the Coronavirus Business Interruption Loan Scheme. This is interest free for the first twelve months, and will give additional headroom in our cash reserves.

Balance sheet

Net assets decreased by £3,428k. This is mainly due to the reduction in the value of the property portfolio (£3,181k) through disposal and revaluation, and the losses made during the year.

The properties were mainly valued using the term and reversion valuation technique, as opposed to development value. This gives the most consistent results with the available data, and avoids any uncertainty around development value at the current time. The technique uses the WAULT ('weighted average unexpired lease term') to determine the time until vacant possession is achievable. With the exception of the newer buildings, which had higher occupancy levels than last year, the WAULT has decreased for most properties. The months to re-let and rent-free periods

STRATEGIC REPORT (CONTINUED)

used in the calculation were increased to take the impact of the pandemic into account.

Net current assets are £16.8m higher than last year due to securing longer-term lending. As a result, loans of £15m shown in 'creditors due within one year' in September 2019 are now classified as 'creditors due after one year'. Net current assets have also increased due to the higher cash balance.

Net asset value per share has decreased to £2.81, which is £0.23 lower than last year. Of this movement, £0.19 relates to the revaluation of property.

Going concern

We continue to believe that our business model can deliver what our customers want. However, the pandemic has had a significant impact on the company's business, and we anticipate that it will be some time before demand for our properties returns to pre-pandemic levels. We are therefore continuing to review our cost base, reduce our overheads and plan for adjustments to variable costs across a range of possible scenarios.

We have a portfolio of good-quality properties that we see as having a successful, long-term future. We seek to manage risks appropriately and respond to the risks that materialise. We have updated our financial forecasts and capital expenditure plans to take account of any changes in risks, opportunities and market conditions.

In the short term, the actions we have taken to preserve cash, and the continuing support of our bankers and the government, should ensure that we continue to generate positive EBITDA (earnings before interest, tax, depreciation and amortisation), and we are working to rebuild profitability over time. We have also taken decisive action to reduce our cost base, and are utilising the government's Coronavirus Job Retention Scheme, to mitigate the effect of potential revenue downturn on our cash flow.

The Board considered the liquidity position in the company's financial forecasts, recognising the challenges around reliably estimating the effects of the pandemic on our business. The key areas of uncertainty include the extent and duration of restrictions in the UK, and the duration and scale of government support measures.

The company has committed bank facilities in place until March 2023, and the additional Coronavirus Business Interruption Loan Scheme agreement until October 2022.

We have secured waivers of the interest covenant tests in our £27m of committed bank facilities entered into in March 2020. The waivers cover the quarters ending 30 June 2020 and 30 September 2020. We have tested the covenants for the next four quarters and do not anticipate any issues. Should we encounter worst-case scenarios, we consider that the company would be able to take sufficient controllable, mitigating actions to avoid a breach of the banking covenants. The key mitigation measure available would be to further reduce the company's cost base and capital expenditure. Other options include issuing new share capital for cash, asset sale and leasebacks, and obtaining further covenant waivers.

The Board concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements, with no material uncertainties identified. The Board has a reasonable expectation that the company will continue to operate as a going concern for at least twelve months from the date of approval of the financial statements.

Principal risks and uncertainties

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.

Looking ahead

The Ethical Property Company will focus on:

- Ensuring the safety and wellbeing of staff and tenants.
- Continuing to improve our offer to tenants, including adapting our services to changes in demand and working patterns.
- Improving profitability by focusing on occupancy, cost recovery and efficiency.
- Reviewing our strategic objectives to ensure we are able to take account of both threats and opportunities in the post-pandemic environment.

Approved by the Board on 15 December 2020 and signed on its behalf by:

S Clarke (Chair) *Director*

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. Pandemic plan maintained for all buildings. Continuous review of policies and procedures.
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 loan, are 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 and Risk Committee oversees key financial measures on risk areas, including occupancy level and level of arrears.
Decline in property standards.	Regular maintenance reviews carried out, budget to improve standards increased. Annual tenants survey completed, and regular tenant meetings held where concerns are raised and addressed.
Wellbeing of staff, physical and emotional challenge of the sudden change of working, either remotely or on furlough.	All staff completed a personal risk assessment. Communication plan updated and increased in frequency. Rotational furlough used where possible.
Failure of IT support for staff and tenants.	Large investment in IT infrastructure ongoing. Implementation of additional security, both physical and cloud-based.
GDPR compliance, enquiries and risk of breach.	Policy developed and shared with all staff, register in place, systems improved and checks regularly implemented.
Loss of the unique selling point of our business model.	Review of our model and strengthening of social mission underway as part of new strategic plan.
Failure to meet investor requirements.	Improved communication, including quarterly reporting. Regular review of share price on matched bargain market (Ethex). All shareholder enquiries addressed as a high priority.
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 is 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.
Changes in workspace needs in longer term, such as drop in customer base, supply of cheap space or change in demand for workspace.	Review portfolio for suitability of spaces and buildings, focus on affordability of our offer, review marketing and communication strategy.

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 30 September 2020.

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:

S Clarke (Chair)	
P Bellack	
J Can	
J Hartzell	(Resigned 7 July 2020)
M Luntley	
M Middleton	
A O'Hara	
C Peberdy	

Directors' interests

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

	Ordinary shares of 50p each	
	2020	2019
P Bellack	81,000	81,000
S Clarke (Chair)	50,000	50,000
J Hartzell	31,400	28,500
M Luntley	13,860	5,112
J Can	5,000	5,000

Results and dividends

The results for the year are set out on page 43.

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*

Date: 15 December 2020

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 TO THE MEMBERS OF THE ETHICAL PROPERTY COMPANY PLC

Opinion

We have audited the financial statements of The Ethical Property Company PLC (the 'company') for the year ended 30 September 2020 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 2020 and of its loss 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.

Emphasis of matter

The carrying value of the investment properties as at 30 September 2020 are based on a valuation carried out by the Directors. The valuations were made on an open market value basis by reference to historical third party valuation reports and available market evidence. As a result of the outbreak of novel coronavirus Covid-19 and its impact on the global markets, many expert valuations are being reported on the basis of 'material valuation uncertainty', as per VPS 3 and VPGA 10 of the RICS Red Book Global. Our opinion is not modified in this respect.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

Moore Kingston Smith LLP

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
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £'000	2019 £'000
Turnover		5,219	4,843
Cost of sales		(2,883)	(2,964)
Gross profit		**2,336**	**1,879**
Administrative expenses		(1,924)	(2,066)
Other operating income		263	10
Exceptional item	**4**	-	(47)
Operating profit/(loss)	**3**	**675**	**(224)**
Income from shares in group undertakings		-	212
Profit on disposal of investment properties	**10**	35	-
Movement on revaluation of investments	**11**	(52)	634
Other interest receivable and similar income		1	4
Movement in fair value interest rate swap		(100)	(486)
Interest payable and similar expenses		(1,125)	(979)
Movement in the revaluation of investment properties	**8**	(2,809)	2,114
(Loss)/profit before taxation		**(3,375)**	**1,275**
Taxation	**7**	(52)	(151)
(Loss)/profit for the financial year		**(3,427)**	**1,124**
Earnings per share (pence)	**20**	(2.8)	(6.3)
Earnings per share including valuation movement (pence)	**20**	(22.9)	7.5

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

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	**9**		449		456
Investment properties	**10**		60,509		63,690
Investments	**11**		6,751		6,755
			67,709		70,901
Current assets					
Debtors	**14**	1,041		740	
Cash at bank and in hand		2,324		715	
		3,365		1,455	
Creditors: amounts falling due within one year	**15**	(2,532)		(17,457)	
Net current assets/(liabilities)			833		(16,002)
Total assets less current liabilities			68,542		54,899
Creditors: amounts falling due after more than one year	**16**		(26,662)		(9,591)
Net assets			**41,880**		**45,308**
Capital and reserves					
Called up share capital	**19**		7,455		7,455
Share premium account			2,859		2,862
Revaluation reserve			4,548		7,559
Capital redemption reserve			531		531
Other reserves			-		51
Profit and loss reserves			26,487		26,850
Total equity			**41,880**		**45,308**

The financial statements were approved by the Board of Directors and authorised for issue on 15 December 2020 and are signed on its behalf by:

Sam Clarke

S Clarke (Chair) *Director*

Company Registration No. 02961327

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 October 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		-	-	1,597	-	(13)	(1,584)	-
Other movements		-	(3)	-	-	-	-	(3)
Balance at 30 September 2019		**7,455**	**2,862**	**7,559**	**531**	**51**	**26,852**	**45,310**
Year ended 30 September 2020								
Loss and total comprehensive income for the year		-	-	-	-	-	(3,427)	(3,427)
Other movements		-	(3)	-	-	-	-	(3)
Transfers		-	-	(3,011)	-	(51)	3,062	-
Balance at 30 September 2020		**7,455**	**2,859**	**4,548**	**531**	**-**	**26,487**	**41,880**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	**26**	725	(645)
Interest paid		(1,040)	(979)
Net cash outflow from operating activities		**(315)**	**(1,624)**
Investing activities			
Purchase of tangible fixed assets		(116)	(245)
Purchase of investment property		(38)	(4,038)
Proceeds on disposal of investments		155	156
Share buy back from investments in associates and joint ventures		-	49
Interest received		1	4
Dividends received		-	212
Net cash generated from/(used in) investing activities		**2**	**(3,862)**
Financing activities			
Proceeds from borrowings		2,000	4,243
Repayment of borrowings		(75)	(40)
Refinancing fees		-	(23)
Interest rolled up on loans		-	673
Marketing costs		(3)	(3)
Dividends paid		-	(919)
Net cash generated from financing activities		**1,922**	**3,931**
Net increase/(decrease) in cash and cash equivalents		**1,609**	**(1,555)**
Cash and cash equivalents at beginning of year		715	2,270
Cash and cash equivalents at end of year		**2,324**	**715**

NOTES TO THE FINANCIAL STATEMENTS

Company information

The Ethical Property Company PLC is a public company limited by shares incorporated in England and Wales. The registered office is The Old Music Hall, 106-108 Cowley Road, Oxford, OX4 1JE.

1 Accounting policies

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

After due consideration of the future cash flows of the company, the Directors are confident that the company has sufficient financial resources to meet its obligations as a going concern for the foreseeable future, being more than twelve months from the date of approving the financial statements. In reaching the conclusion, the Directors have considered the working capital needs of the business and have taken action in order to ensure that the company has sufficient working capital in place. This includes securing after the year end finance under the Coronavirus Business Interruption Loan Scheme. As at the date of approval of the financial statements, the Directors are continuing to assess the ongoing impacts of the outbreak of Covid-19 and the measures taken to contain it on the company's activities. Whilst there remain market uncertainties the Board is confident that it is appropriate to prepare the financial statements on the going concern basis.

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 five 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.

1.4 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

1.5 Investment properties

Investment properties are stated at market value, with independent valuations taking place at least every three years. The largest property was independently valued in December 2019. The rest of the portfolio was due to be independently valued in September 2020 but was delayed due to the pandemic.

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.

1.6 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.

1.7 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.

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.

1.8 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.

1.9 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Other 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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 and carrying investments at fair value through profit and loss 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 profit/(loss)

	2020	2019
Operating profit/(loss) for the year is stated after charging/(crediting):	**£'000**	**£'000**
Exchange (gains)/losses	(47)	7
Government grants	(263)	-
Depreciation of owned tangible fixed assets	124	79
Auditor's remuneration - the audit of the company's annual accounts	26	20
Payments to auditors for corporation tax and other services	2	9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Exceptional item

	2020 £'000	2019 £'000
Exceptional item	-	47

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

5 Employees

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

	2020 Number	2019 Number
Administration staff	75	83
Management staff	32	33
	107	116
Full time equivalent head count of operation staff	66	71

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	2,149	2,118
Social security costs	181	180
Pension costs	126	129
	2,456	2,427

6 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	95	51
Company pension contributions to defined contribution schemes	5	1
	100	52

During the year retirement benefits in respect of a money purchase scheme were accruing to one (2019: nil) Director.

Fees of £23k (2019: £37k) were paid to non-executive Directors. Key management compensation during the year totalled £319k (2019: £293k). Key management includes the executive Director and the senior managers.

7 Taxation

	2020 £'000	2019 £'000
Current tax		
Overprovision of UK corporation tax in prior periods	(11)	-
Deferred tax		
Deferred tax provision on unrealised gain on investment properties	63	151
Total tax charge	52	151

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

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(3,374)	1,275
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(641)	242
Tax effect of expenses that are not deductible in determining taxable profit	6	14
Tax effect of income not taxable in determining taxable profit	-	(40)
Adjustments in respect of prior years	-	284
Other temporary timing differences	557	(12)
Under/(over) provided in prior years	10	-
Deferred tax adjustments in respect of prior years	63	-
Capital allowances for the year	(153)	(337)
Effect of capital gain/(loss)	(6)	-
Losses not recognised in deferred tax	216	-
Taxation charge for the year	52	151

8 Net unrealised gains on investment properties

This year there was a write back of £180k (2019: £372k) on a permanent diminution written off in previous years on investment properties.

	2020 £'000	2019 £'000
In respect of:		
Write back of permanent diminution in value of investment property written off in previous years	180	372
Net revaluation, other investment properties	(2,989)	1,742
	(2,809)	2,114

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 October 2019	306	878	1,184
Additions	19	97	116
Disposals	(14)	(91)	(105)
At 30 September 2020	311	884	1,195
Depreciation			
At 1 October 2019	180	549	729
Depreciation charged in the year	30	94	124
Eliminated in respect of disposals	(13)	(94)	(107)
At 30 September 2020	197	549	746
Carrying amount			
At 30 September 2020	114	335	449
At 30 September 2019	127	329	456

10 Investment property

	2020 £'000
Fair value	
At 1 October 2019	63,690
Additions	38
Disposals	(410)
Net losses through fair value adjustments	(2,809)
At 30 September 2020	60,509

The fair value of investment property at 30 September 2020 has been assessed by the Directors, with reference to a valuation carried out in December 2017, and December 2019 for the largest property, by independent Chartered Surveyors, who are not connected with the company.

The valuation was made on an open market basis by reference to market evidence of rents, yields and sales transaction volumes for similar properties. The Directors have considered 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.

During the year nil (2019: £154k) of interest costs directly attributable to the financing of freehold property developments were capitalised at the weighted average cost of the related borrowings. The total capitalised interest at 30 September 2020 was £1,380k (2019: £1,380k).

The original cost of the investment properties was £58,158k (2019: £58,301k). The value of long leasehold properties included within investment properties was £7,970k (2019: £8,380k).

11 Fixed asset investments

	Notes	2020 £'000	2019 £'000
Investments in joint ventures and associates	**12**	6,751	6,755

Movements in fixed asset investments

	Joint ventures and associates £'000
Cost or valuation	
At 1 October 2019	6,755
Valuation changes	(4)
At 30 September 2020	6,751
Carrying amount	
At 30 September 2020	6,751
At 30 September 2019	6,755

12 Joint ventures and associates

Details of the company's joint ventures and associates at 30 September 2020 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	24.80
Ethical Property Australia	Letting and management of property	Ordinary	30.30

The loss for the year ended 30 September 2020 for Social Justice and Human Rights Centre Limited was £194k and the capital and reserves at the end of the period was £11,183k.

The profit for the financial period ended 30 September 2019 of Ethical Property Europe Group was £1,113k (based on the average exchange rate during the year ended 30 September 2019) and the aggregate amount of capital and reserves at the end of the period was £11,945k (based on the exchange rate at 30 September 2019).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Financial instruments

	2020 £'000	2019 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	710	215
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	741	641
Measured at amortised cost	28,094	26,334

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

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	254	147
Other debtors	456	68
Prepayments and accrued income	331	462
	1,041	677

	2020 £'000	2019 £'000
Amounts falling due after more than one year:		
Deferred tax	-	63
Total debtors	1,041	740

Included within other debtors is a £30,000 loan to Brighton Open Market CIC. Interest is payable monthly in arrears at a rate of 7% above the Bank of England base rate.

15 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans	-	15,056
Trade creditors	254	618
Other taxation and social security	359	73
Derivative financial instruments	741	641
Other creditors	577	345
Accruals and deferred income	601	724
	2,532	17,457

16 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans and overdraft	26,662	9,591

The development loan which was arranged to provide development finance for The Green House has now termed into the investment loan.
The rates of interest applicable on the loans as at the year end are as follows:

- 2.5% above three-month LIBOR
- 2.7% above three-month LIBOR

The investment loan is part of the Lloyds Green Lending Initiative and benefits 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.

	Assets 2020 £'000	Assets 2019 £'000
Balance	-	63

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Retirement benefit schemes

	2020 £'000	2019 £'000
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	126	129

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

	2020 £'000	2019 £'000
Ordinary share capital		
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 (2019: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2020 £'000	2019 £'000
Loss on ordinary activities before exceptional items, taxation, fair value interest swap and investment movements	(414)	(938)

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 £3,427k (2019: £1,124k) and on 14,910,708 (2019: 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 year end the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £'000	2019 £'000
Within one year	8	7
Between two and five years	14	16
	22	23

21 Operating lease commitments (continued)

Lessor

Standard leases to third parties have a break clause of less than one year. Eleven leases with break clauses of over one year have been identified. The shortest end date of these leases is 6 November 2020; the longest is to 4 December 2022. 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 year end the company had contracted with tenants for the following minimum lease payments:

	2020 £'000	2019 £'000
Within one year	571	293
Between two and five years	212	265
In over five years	-	-
	783	558

22 Analysis of net debt

	At 1 October 2019	Cash flow	As at 30 September 2020
Cash at bank and in hand	715	1,609	2,324
Net debt due within and over one year	(24,647)	(2,194)	(26,662)
Net debt	(23,932)	(585)	(24,338)

23 Events after the reporting date

Since the year end the company took advantage of the opportunity to secure a Coronavirus Business Interruption Loan of £250,000. There is no interest charge or repayments for one year and it is then repayable in equal instalments. In these uncertain times the Board considered it prudent to ensure the company maintained strong financial reserves, especially as there are no penalties should the loan be repaid early.

24 Related party transactions

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

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 £4,689k (2019: £4,806k.) The company raised invoices to Social Justice and Human Rights Centre Limited during the year amounting to £411k (2019: £413k) for management fees. At the balance sheet date included within debtors, the amount due from Social Justice and Humans Rights Centre Limited was £41k (2019: £50k). Also during the year, Ethical Property Company purchased services totalling £216 (2019: £1k). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

During the prior year this joint venture was disposed. Up until the date of disposal the company received purchase invoices from Ethical IT LLP amounting to £nil (2019: £111k) for IT services. The company raised invoices to Ethical IT LLP during the year amounting to £nil (2019: £10k) for management fees and £nil (2019: £48k) for rent and related services. The amount owed by Ethical Property Limited to Ethical IT LLP at the year end was £nil (2019: £6k). The transactions were carried out in the normal course of business.

25 Controlling party

There was no overall controlling shareholder.

26 Cash generated from operations

	2020 £'000	2019 £'000
(Loss)/profit for the year after tax	(3,427)	1,124
Adjustments for:		
Taxation charged	52	151
Finance costs	1,125	979
Income from participating interests	-	(212)
Interest receivable	(1)	(4)
Movement on revaluation of investments	5	(634)
Profit on disposal of investment property	(35)	(110)
Change in fair value of interest rate swap	100	486
Depreciation and impairment of tangible fixed assets	124	79
Movement on revaluation of investment properties	2,809	(2,114)
Movements in working capital:		
(Increase)/decrease in debtors	107	404
Increase/(decrease) in creditors	(134)	(794)
Cash generated from/(absorbed by) operations	725	(645)

OUR FAMILY AND PARTNERS

Edinburgh
Thorn House

Manchester
Green Fish Resource Centre

Sheffield
Scotia Works

Cardiff
Hastings House

London
The Green House
Durham Road Resource Centre
The Grayston Centre

Managed centres:
Resource for London
The Foundry

Bristol
Brunswick Court
Stowe Centre
St Pauls Learning Centre
Streamline

Managed centres:
The Unitarian Hall
St Michael's Parish Hall

Bath
Green Park Station

Managed centre:
Bath Quaker Meeting House

Oxford
The Old Music Hall

Brighton
Brighton Eco Centre
Brighton Junction
Brighton Open Market Studios

Our partner **Mundo-Lab** currently manages five Mundo centres in Belgium.

Our partner **ETIC** currently manages seven centres in France.

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