ANNUAL REPORT 2021/2022

ethicalproperty

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Ethical Property wish to thank the following for their help in producing this report: Jane Garton (editorial), Garry, Russell, Stuart and Toby at Fine Print for design and printing, and our staff for assisting with the content.

We wish to thank the following for allowing us to use their photographs: Brighter Sound pp8/9 and International Tree Foundation pp18/19. All other photographs supplied by Fine Print.

Commissioned photos by: Lisa Payne/Ethical Property pp2/3, 4/5, 6/7, 10, 11, 14, 15, 16/17, 22.

OUR STAFF

98% said they share the values listed in our Quintessentials

95% are very satisfied or satisfied with the working culture

88% really enjoy or enjoy working for Ethical Property

88% feel strongly aligned with the company

OUR TENANTS

89% said we offer value for money

89% would recommend us to other organisations

86% said that being in a centre with like-minded organisations has a positive impact on their wellbeing

80% feel that our centres reflect their values

Data obtained via the tenant and staff surveys in October 2022. Figures shown are based on the feedback of those who responded to the surveys.

WELCOME TO OUR 2021/22 ANNUAL REPORT

It has been a year of transition, as we recover from the impact of the pandemic and welcome more people back into our buildings.

Whilst average occupancy remained broadly static, demand increased as the year went on, with higher numbers of viewings, move-ins and events taking place. Tenants have been attracted by our flexible terms and offer, which has enabled them to embrace hybrid working and manage their costs during a period of high inflation. We have also seen greater value placed upon collaboration and networking.

Given the challenges in the economy, with a significant rise in costs, a key priority has been to balance careful cost control with the need to invest in areas of the business that enable us to increase occupancy.

In order to improve our position in the longer term, we have focused on reviewing our investments and portfolio to ensure that we meet changes in demand and deliver on our Net Zero ambitions.

The Board's support during what has been a tough few years has been invaluable. I would specifically like to acknowledge the contributions of Sam Clarke and Paul Bellack, two long-serving members who stepped down this year. I am also delighted to welcome our new Chair, Mark Hannam, who joined us in April and brings a wealth of experience.

Looking forward, the three main objectives are to: continue improving our offer so we can support changemakers to address the social, environmental and economic challenges facing society; progress our Net Zero strategy so we are better placed to address the climate emergency; and improve financial performance and liquidity of shares so we can deliver a fair return to investors.

Our work is only possible with your support – so thank you, and I hope you enjoy reading the rest of our Annual Report.

Conrad Peberdy
Managing Director, Ethical Property

YEAR IN REVIEW

As we emerged from the pandemic, this year was very much about helping people to come together again.

Tenants returned to our centres in increasing numbers as the year progressed; all our buildings are feeling much busier again, and there is a welcome and reassuring bustle of activity in communal areas. People are eager to be with others, to discuss ideas and respond to the needs of the individuals and communities they serve. As a result, they are valuing our meeting rooms, breakout spaces and flexible approach more than ever. Thorn House, our only property in Scotland, took slightly longer to return to normal, reflecting the fact that Covid rules were stricter and lasted longer north of the border. Across all the regions, we accommodated fluctuations in space requirements as people returned to the office and established new ways of working. Some tenants preferred a mix of home and office working, while others – particularly those delivering frontline services – were eager to return to the office full time. Although buildings hadn't fully recovered in terms of occupancy by year end, viewings were on the rise and we anticipate employees wishing to spend more time in the office as hybrid working replaces working from home.

We continued to build on the positives that grew out of virtual and hybrid working during the pandemic, enabling us to save time and reduce the financial and environmental costs of travel, e.g. by using Microsoft Teams for meetings and projects, and an online company-wide noticeboard. The new ways of working have had a very positive impact, and we're collaborating more effectively across the company than ever before. The VoIP phone system, which uses broadband instead of a landline or mobile connection to send and receive text messages, enabled seamless working between home and office. We increased and improved video conferencing facilities and applied our experience about what works best in different situations. The tools are all in place, so now it's about making the best possible use of them and doing this consistently across the company.

CONFERENCING BOUNCES BACK

Business bounced back at The Foundry and Resource for London (RFL), with both centres seeing a resurgence in the wide range of conferencing, events and training programmes they offered pre-Covid. While these still have some hybrid elements, and will continue to do so, it is pleasing to see face-to-face becoming the norm again. RFL continued to operate an NHS vaccination centre through the first quarter of the year, and other organisations returned and scaled up their work as restrictions were lifted in January. We have a really strong customer base, and these organisations have a lot of work to do as they reengage with staff, stakeholders and service users post-pandemic. At RFL alone, we facilitated events from organisations working on adoption and fostering, domestic abuse, mental health and suicide prevention, as well as GP forums, the National Childbirth Trust and the University of the Third Age. The centre also continued to host regular blood donation sessions for NHS Blood and Transplant.

Earlier in the year we explored initiatives to boost our income streams when footfall was lower, including offering short-term arrangements; e.g. over three months in early summer, a production company hired multiple units at The Green House to shoot a film for Netflix. In Brighton we focused on uplifting the office and communal spaces, which has really improved their look and feel. We welcomed several new organisations to Brighton Junction, which is now full.

"SHARE" CREATES A BUZZ

Our Share London and Share Bristol initiatives, which were just getting underway at the end of last year, proved popular. Share enables people to rent one or more single desks at The Green House in London and Streamline in Bristol, where they can take advantage of meeting rooms and other facilities as well as opportunities for networking and collaborating with like-minded individuals. As Deputy Managing Director Jonathan Davies explains: "People are really happy to connect with others again. Share has given individuals the opportunity to step out of the home office and to create their own coworking community." While the scheme is relatively resource-intensive, we hope that the social impact businesses it attracts will grow and stay with Ethical Property. Almost all the Share desks had been taken up by year end, adding a new dynamic and creating a buzz in both locations.

We saw our centres being used by local communities more and more as the year went on. Green Fish in Manchester

began to thrum with life once again as normal service resumed for the many charities that call it home, such as the Greater Manchester Youth Network and the music development organisation Brighter Sound (see over). Our tenants work with some of the most vulnerable people in their communities, and their support and services are needed more than ever. At The Old Music Hall in Oxford, Refugee Resource provides psychological, social and practical support for refugees, asylum seekers and migrants, enabling them to build new lives. We were very pleased that when a merger prompted this longstanding tenant to reconsider where they have their headquarters, they chose to stay with Ethical Property – largely thanks to our location, flexible workspace and the way we make their service users welcome.

Throughout the year, the St Pauls Learning Centre in Bristol continued to provide affordable space to a huge range of local groups (see page 11). At Green Park Station in Bath, following delays by the freeholder, plans were finalised for repairs to the glass roof, much to the relief of staff and tenants. Many of the usual trading activities and events continued despite the problems with the roof, and we look forward to breathing even more life back into this beautiful community space when the work is complete in 2023.

IDENTIFYING CENTRES THAT NO LONGER MEET OUR NEEDS

We have been reviewing our properties to ensure they meet future needs, in regard to our Net Zero strategy and changing workspace requirements. As a result, we made the decision to dispose of Stowe Centre (formerly Colston Street Centre). The building in the heart of Bristol – one of the first two properties which launched the company – was badly in need of repair, and making it safe, sound and sustainable would be costly. The sale of this building was completed in December 2022, after the financial reporting period, and we bid a fond farewell to all the wonderful organisations and people who based themselves there, some of them for the last 24 years. While having to relocate was difficult for the tenants, it was encouraging that a number of them remarked on the sensitive way in which the process was handled. As one tenant put it: "Thank you for the informative and helpful discussion about the office and potential future possibilities. I really appreciate your supportive and transparent approach."

MAKING CHANGE: BRIGHTER SOUND

Brighter Sound supports young creatives, independent artists and up-and-coming music industry professionals in the North of England. Based in Ethical Property's Green Fish Resource Centre in Manchester, the organisation aims to address inequalities and remove barriers to participation, enabling more people to access creative and professional development opportunities in the music industry. Its vision is an accessible, equitable and diverse music landscape – a place where anyone can connect with music to support their life journey.

"I'VE MADE LIFELONG CONNECTIONS, ADVANCED MY SKILLS, GAINED CONFIDENCE AND ACQUIRED MEMORIES I'LL CHERISH AND DRAW ENDLESS INSPIRATION FROM."

Central to the approach is the belief that everyone is inherently creative and that access to exceptional music opportunities shouldn't be limited by who you are or where you live. Brighter Sound works in collaboration with an extensive network of local and strategic partners across the sector – from music education to the music industry – across all musical styles and genres, and at all levels, from grassroots to global. Activities include bespoke mentoring, training and professional development, peer-led support networks, artistic residencies, community-rooted workshops, one-off immersive events and a year-round programme of live performances.

Bethan, who took part in a Brighter Sound residency, says: "It's the sort of opportunity that decides a career, turns on a light… gives someone the boost they need for stepping into the next generation of British music." SIBZ, another young artist, says that a Brighter Sound project was "the most significant moment in my career to date. I've made lifelong connections, advanced my skills, gained confidence and acquired memories I'll cherish and draw endless inspiration from."

As well as creating opportunities for young people to develop their skills, Brighter Sound is supporting participants' health and wellbeing, and nurturing the diverse, independent music scenes of the North. Over the last 22 years, it has built an outstanding track record of delivering high-quality, inclusive musical experiences to underserved communities. The breadth and scale of its work has consistently facilitated life-changing engagements with music and delivered significant social benefits, reaching more than 25,000 young people since its inception.

"IT'S THE SORT OF OPPORTUNITY THAT DECIDES A CAREER, TURNS ON A LIGHT… GIVES SOMEONE THE BOOST THEY NEED FOR STEPPING INTO THE NEXT GENERATION OF BRITISH MUSIC."

Find out more at: https://www.brightersound.com/

SOCIAL IMPACT

Our centres have returned to being vibrant hubs where people can meet, share ideas and enrich each other's work to tackle social injustice and create a sustainable future. This includes reaching out to communities close to home.

In the first half of the year, our teams found ways of helping tenants to carry out their vital work under the continuing restrictions. This ranged from ensuring they were able to use the technology we had installed for virtual meetings, to just making extra space available to allow for safe, socially distanced working practices. Later in the year, it was wonderful to see so many of them attend in-person events at our centres – including a very wet celebration on The Green House roof terrace in the summer – where tenants had the opportunity to start forming the connections and creating the synergy that are so vital to making change happen.

This synergy is very much in evidence at The Foundry, where an impressive schedule of social events for tenants includes regular gardening and cycling clubs, yoga, language classes and recycling workshops, to name a few. Awareness-raising sessions were held on topics ranging from countering terrorism and standing up to street harassment, to tackling in-work poverty. More formal collaboration takes place through the HR & Operations Group and the Social Media Group, and this year tenants have enjoyed getting involved with the new Beehive Project (see right).

SERVING OUR LOCAL COMMUNITIES

We are very proud of the social impact our centres have on their local communities. The St Pauls Learning Centre in Bristol is busier than ever, thanks in no small part to the legacy of The Green Way project, which transformed the look and feel of the building and surrounding space. Initiatives ranged from an event to launch a book documenting the Bristol Windrush generation, through to courses helping people access the training they need to return to work. Regional Manager Sarah Campbell describes St Pauls as "the most joyous place to be, but also the most challenging", with the combined effects of the pandemic and the economic climate resulting in a rise in homelessness, antisocial behaviour and drug use. As people grappled with the cost-of-living crisis, St Pauls Learning Centre continued to provide much-needed support in the form of a safe place to come inside, stay warm, get an affordable meal and connect with others.

"THE BEEHIVE PROJECT IS A GREAT WAY OF GIVING SOMETHING BACK TO THE COMMUNITY WHILE RAISING AWARENESS OF THE IMPORTANCE OF THE SURVIVAL OF BEES."

During the summer, an exciting urban Beehive Project kicked off at The Foundry. Working in partnership with the London Beekeepers Association, staff and tenants have been helping to promote sustainable urban beekeeping among the wider community, including local schools. We invited 31 children from Henry Fawcett Primary School to help with the honey harvest, learn about the amazing world of bees and their precious products, and connect with a seasonal activity which has been practised for thousands of years. The hands-on session included uncapping the wax honeycomb, spinning out the honey, then jarring and labelling it, with all participants taking home their own jar of freshly harvested honey. The beehive project is a great way of giving

DESPITE THE COVID RESTRICTIONS IN THE FIRST PART OF THE YEAR, IN 2021/22 WE SUPPORTED 303 TENANTS, INCLUDING 36 SINGLE DESK USERS, AND MORE THAN 500 ORGANISATIONS USED OUR SPACES FOR MEETINGS, CONFERENCES AND EVENTS.

something back to the community while raising awareness of the importance of the survival of bees and the role they play within the local ecosystem.

MENTAL HEALTH MATTERS

It's been widely reported that the pandemic has had a huge impact on wellbeing and mental health. During the year, we worked closely with Mental Health First Aid (MHFA) England – a social enterprise which aims to improve the mental health of the nation – to develop and roll out a comprehensive wellbeing strategy. This included two webinars as part of our Ex(change)rs programme, also attended by tenants and investors, and training for all staff. Six staff members undertook more intensive training to become fully qualified Mental Health First Aiders. We also switched our staff benefits programme from a perks-based provider to an employee support programme that includes counselling and a wide range of wellbeing and development tools.

HOLDING OURSELVES ACCOUNTABLE

Holding ourselves accountable to our social impact values has always been an important part of our triple-bottom-line approach to how we run Ethical Property. In the last year, we have undergone a strenuous process to ensure that we are fully accountable, by engaging auditors with particular expertise in measuring social and environmental impact. After meeting with several impressive organisations, we contracted Make an Impact to carry out our social audit and challenge us to push even further. They have completed the first audit, and details are published in the Environmental and Social Impact Report, available on our website.

For more information, see the Environmental and Social Impact Report at:
www.ethicalproperty.co.uk/investment/our-performance

"IN THE LAST YEAR, WE HAVE UNDERGONE A STRENUOUS PROCESS TO ENSURE THAT WE ARE FULLY ACCOUNTABLE."

ENVIRONMENTAL IMPACT

Our focus this year has been to develop the Net Zero strategy targets into a detailed plan for reducing the company's carbon emissions over the next 18 years, while continuing to measure, monitor and improve environmental performance across the portfolio.

One of the key tasks in developing the strategy was to set the baseline against which our carbon reduction will be measured. To do this, we worked through the data from previous years and found a number of errors in the data for 2020/21. These were caused by data entry mistakes and a formula error which cascaded throughout the data. We therefore need to restate the 2020/21 total energy usage by property, as shown opposite.

Total energy consumption by property (electricity, gas, wood) kWh/m²

Property	2020-21 (reported)	2020-21 (restated)	Correction
Brick Yard	88.5	108.8	23%
Brighton Eco Centre	107.7	108.9	1%
Brighton Junction	108.6	140.1	29%
Brunswick Court	111.4	125.6	13%
Stowe Centre	112.9	112.9	0%
Durham Road Resource Centre	145.0	145.0	0%
The Foundry	161.0	161.0	0%
Green Fish Resource Centre	78.7	110.2	40%
The Green House	126.0	137.8	9%
Green Park Station	233.7	233.7	0%
Hastings House	161.4	187.8	16%
The Old Music Hall	86.7	100.7	16%
Resource for London	40.9	40.9	0%
St Pauls Learning Centre	371.8	411.1	11%
Scotia Works	131.3	131.3	0%
Streamline	69.7	90.8	30%
Thorn House	109.2	106.2	-3%

THIS YEAR'S PERFORMANCE

Energy and water use in our properties continues to be affected by reduced occupancy post-pandemic and by changes in the way the buildings are operated, e.g. increased ventilation levels, which can lead to additional heating requirements. These factors should be taken into account when comparing historic performance. For this reason, it has been helpful to compare figures for the last five years rather than just making a year-on-year comparison.

DOWN 10%

Overall energy use DOWN 10% on 2020/21
and DOWN 9% on average usage since 2017

This is partly because of below-average occupancy, and partly thanks to building improvements.

UP 100%

Water use is UP 100% on 2020/21 but
DOWN 5% on the 5-year average

2020/21 had unusually low water usage because of the pandemic.

DOWN 14%

Gas use is DOWN 14% compared to 2020/21
and DOWN 6% on the 5-year average

Although gas usage is down in absolute terms, when normalised for the weather it can be seen that relative use has increased (i.e. winter 2021/22 was warmer than previous years, and usage did not drop by as much as would be expected). This may be because of increased ventilation post-pandemic – we are addressing this with tenants as we do not want to waste energy, while we also recognise people's concerns about Covid in the winter months.

NET ZERO STRATEGY: DETERMINING THE BASELINE

According to RICS (Royal Institute of Chartered Surveyors) and the CRREM (Carbon Risk Real Estate Monitor), the average UK office uses around 200 kWh/m² of energy and produces around 120 $kgCO_2e/m^2$ of carbon emissions per year. In contrast, over the last five years Ethical Property's buildings used an average of 139 kWh/m² per year, and, because of our foundational commitment to renewable energy, produced less than 2 $kgCO_2e/m^2$ per year.

Most property funds will look to reduce their carbon emissions by switching to renewable energy, as well as replacing gas heating with electric. Ethical Property has been using renewable electricity for over 20 years, and biogas since 2018, so the "baseline" from which we will measure our carbon reduction needs to take into account these actions that we have already taken. In addition, the national grid has significantly decarbonised in the last few years, meaning the "carbon factor" associated with water treatment has reduced significantly.

As mentioned above, usage in our properties is currently below average as occupancy recovers post-pandemic. We have therefore decided to set the baseline using a combination of average usage from 2017-2019 and carbon factors from 2022, which we believe gives us the fairest baseline against which to measure our future carbon reduction.

The baseline figure (for gas, electricity, wood, water and refrigerants) has been calculated as 0.8701 $kgCO_2e/m^2$/year. In the coming year, we aim to add in a figure for waste and for travel, with other areas to follow.

CO_2

Carbon emissions are DOWN 3% on 2020/21

Carbon emissions are 27% ABOVE the baseline

The relatively high carbon emissions in relation to baseline are largely because one of our newer properties, Streamline, uses natural gas purchased through a district heating system for the site. Natural gas makes up the vast majority of our emissions, and we have so far been unable to change this property to a less carbon-intensive fuel. Streamline came into the portfolio in 2018/19, so is not included in the baseline data from 2017/18. This is a useful example of why all new acquisitions from now on need to contribute positively to our Net Zero strategy.

We may see a rise in energy and water use in 2022/23 as occupancy gets back to normal, so our work to improve the portfolio to reduce usage and emissions continues.

For more information, see the Environmental and Social Impact Report at:
www.ethicalproperty.co.uk/investment/our-performance

MAKING CHANGE: INTERNATIONAL TREE FOUNDATION

International Tree Foundation (ITF) was founded in 1922 to inspire communities to plant trees and restore forests for the benefit of people and planet. Today, ITF works around the world, with a focus on its founding countries, Kenya and the UK – planting, protecting and promoting trees in partnership with local communities to transform landscapes and lives. Over the last decade alone, it has planted more than five million trees worldwide.

UK Programmes Manager Sam Pearce reflects on what has been a particularly busy and important year for ITF's work in the UK. "I began my role in January 2021 – it's the first time we've had a full-time member of staff solely focused on tree planting in this part of the world. With this extra attention, we want to massively increase our presence in the UK, engaging supporters and new partners from all around."

ITF's UK Community Tree Planting Programme engages grassroots community groups to design their own tree-planting projects on local publicly accessible land. "We want local people to stay engaged with the trees they plant, to watch them grow and change with the seasons," Sam explains. "We know the element of local ownership vastly increases the success of the project and the survival rate of the trees. Ensuring that these trees are made public is a way of encouraging people to look after them years down the line."

ITF has its headquarters in The Old Music Hall in Oxford, and its work in the UK previously tended to focus on the area surrounding the city. As Sam explains, this is changing: "We are now happy to be working much further afield, from Cornwall and Kent to County Antrim in Northern Ireland, to the Isle of Skye in the Scottish Highlands. We've also been able to support much bigger projects, while still keeping all of them community-based and publicly accessible."

International Tree Foundation
Founded 1922

> **"WE WANT LOCAL PEOPLE TO STAY ENGAGED WITH THE TREES THEY PLANT, TO WATCH THEM GROW AND CHANGE WITH THE SEASONS."**

At the COP26 climate summit in Glasgow in October/November 2021, ITF joined with allies Earthday.org and The UPS Foundation to launch the Trees in the Cities project. This aims to raise awareness of the vital role trees play in improving livelihoods, through planting native trees in 14 cities worldwide. To kickstart the collaboration, they worked with schools, the city council, students and community groups to plant 1,200 native species in Glasgow – leaving a legacy that will continue to flourish long after the conference, and creating opportunities for young people to engage with environmental issues and make a difference locally.

Find out more at: www.internationaltreefoundation.org

ANNUAL REPORT 2021/2022

PART TWO

ethicalproperty

SHARE PERFORMANCE

Shares in Ethical Property are purchased and sold on Ethex, a matched bargain market. During the year, 40,970 shares were matched at an average price of £0.68 per share in 11 transactions. This is fewer shares and a lower average price than in previous years. Addressing this is a key priority for the Board.

The net asset value (NAV) per share is £2.49 as at 30 September 2022. The average matched price for share transactions of 68p therefore represents a discount of 73% from the NAV. At the end of the year, 453,022 shares were available to buy.

Dividends have not been paid this year as profits have not been generated. This is likely to have impacted the average share price matched on Ethex.

If you would like to buy or sell shares in Ethical Property, please phone Ethex on 01865 403304, email: orders@ethex.org.uk or visit: 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%, as per our Quintessentials.

To explore how you can take part in an investment where returns deliver a real difference, visit: www.ethicalproperty.co.uk

For the latest news from Ethical Property, including quarterly financial statements, sign up at: www.ethicalproperty.co.uk/investment/stay-involved

BOARD OF DIRECTORS

Mark Hannam, Chair
Appointed as Chair 4 April 2022; standing for election to the Board at the 2023 AGM. Mark sits on the Nominations and Remuneration Committee.

Juliet Can
Appointed 21 March 2019; reappointed 30 March 2022. Juliet sits on the Nominations and Remuneration Committee.

Anne-Marie O'Hara
Appointed 21 March 2019; reappointed 30 March 2022. Anne-Marie sits on the Audit and Risk Committee.

Conrad Peberdy, Managing Director
Appointed to the Board 9 August 2019. Conrad sits on the Portfolio Investment Committee.

Monica Middleton
Appointed 21 March 2019; reappointed 30 March 2022. Monica sits on the Portfolio Investment Committee.

Nina Alphey
Appointed 21 December 2020. Nina sits on the Audit and Risk Committee.

Paul Bellack
Paul stepped down from the Board on 30 March 2022.

Sam Clarke, Chair
Sam stepped down from the Board on 23 May 2022.

For more information about our Board members and governance, see:
https://www.ethicalproperty.co.uk/about-us

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Company Registration No. 02961327 (England and Wales)

ethicalproperty

THE ETHICAL PROPERTY COMPANY PLC COMPANY INFORMATION

Directors	N Alphey
	J Can
	M Middleton
	A O'Hara
	C Peberdy
	M Hannam (Chair) (Appointed 4 April 2022)
	J Ekelund (Appointed 11 November 2022)
Secretary	A Higson
Company number	02961327
Registered office	The Old Music Hall 106-108 Cowley Road Oxford OX4 1JE
Auditor	Moore Kingston Smith LLP 6th Floor 9 Appold Street London EC2A 2AP
Bankers	Lloyds Bank plc 2nd Floor 125 Colmore Row Birmingham B3 3SF

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Directors present their strategic report for the year ended 30 September 2022.

Business review

This year we are starting to see a recovery of the business post-pandemic. More people are working in the buildings rather than at home, booking meeting spaces and attending events face to face. Interest in offices increased over the year, with a higher number of viewings and more tenants moving in.

During the 12-month period to 30 September 2022, 44 tenants moved out and 23 tenants moved offices (14 upsized, 9 downsized). In the same period, 29 tenants renewed their leases and 83 new tenancies were signed. This is an improvement on last year and shows the growing demand for office space.

Reducing cost of sales and administrative expenses is challenging in a period of high inflation, particularly with increased energy costs. Throughout the year we focused on cost savings by reviewing spend in detail, competitive tendering where possible and continually challenging ourselves on the best use of resources.

We prioritised spend on activities that increase occupancy and raise the profit of Ethical Property. These include investing in marketing, focusing on buildings with lower occupancy and improving our website.

Upgrading our IT provision remains a key priority. This includes additional provision of internet phone services, better internet provision, and penetration testing of our IT security. A programme of further improvements is planned next year.

We have invested in the wellbeing of staff, including by training staff members as Mental Health First Aiders so they can support employees during difficult times. We also switched our employee assistance programme provider to one with a greater focus on wellbeing.

We are rolling out training on improving accessibility in the workplace for employees, tenants and visitors with accessibility requirements. This includes providing printed materials in a larger, easy-to-read font as well as improving the physical spaces.

This has been a year of recovery for our tenants as well as for the company, and we have supported them to resume activities with colleagues and service users, and to connect with each other. Following lockdowns, tenants particularly value the benefits of being located in a building with similar organisations, finding synergy and shared learning which supports their goals.

Key performance indicators

The KPIs most relevant to our business are net lettable area in square feet, 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).

	2022	2021
Net lettable area ('000 square feet)	177	177
Occupancy	74%	74%
Gross profit (£'000)	2,585	2,362
Return on book cost	3.9%	3.6%

Our net lettable area is unchanged from last year: we haven't acquired or disposed of any spaces this year. Average occupancy for the year is the same as last year, although it has improved over the year from 71% to 74%.

The gross profit has increased due to higher income and lower spend on the buildings. This has been offset by higher utility costs and employment costs. The return on book cost has improved due to the higher gross profit.

Results and dividends

The loss for the year is £2,228k (2021: £2,579k loss). The operating profit is £593k (2021: £430k), an increase of £163k.

Turnover increased by £100k due to higher recovery of service charge and increased income from property management contracts. Cost of sales decreased due to lower levels of spend on building maintenance and savings on insurance and rates.

Administrative expenses decreased by £140k due to savings in legal and professional costs, IT spend and exchange rate movements on the investment in Ethical Property Europe.

Other operating income last year was receipts from the Job Retention Scheme (£244k); zero amount was claimed in this financial year.

Ethical Property Europe's strong financial performance resulted in an increase in net assets of 27%. This is reflected in the revaluation of investments alongside the increased value of our investment in Social Justice and Human Rights Centre. Overall, the investments increased in value by £476k. None of the investments paid dividends in the financial year; however, the investments continue to operate as a going concern and are performing well.

The lending is hedged with an interest rate swap. This swap is valued independently each year and the movement is reflected in the profit and loss account. This year shows a gain of £579k (2021: £417k) as floating interest rates increased.

Interest payable for the year was £1,064k (2021: £985k). The higher interest rates have increased interest payable; however, the interest rate swap protects 68% of the loan from these movements.

Movement on revaluation of investment properties reflects the impact of the valuation of buildings owned by The Ethical Property Company. An external valuation was performed in March 2021 and the assumptions and findings were updated for the year end. Overall, the portfolio reduced in value by £2,828k. Higher levels of profit generated by the buildings was offset by increasing the yield assumptions in the calculations due to more challenging macro-economic factors.

Movements relating to revaluation of investment properties, interest rate swap and investments do not impact cash flows.

Balance sheet

Net assets decreased by £2,228k. This is mainly due to the revaluation of the property portfolio and the loss made during the year. Net assets are £37.1m and the net asset value per share is £2.49, which is £0.15 lower than last year. Most of this movement relates to the revaluation of property.

The loan with Lloyds Bank was successfully refinanced during the year. The loan is once again linked with environmental KPIs, in line with our sustainability strategy. Achieving these annual KPIs reduces the margin to 2.4%. We have retained the interest rate hedge from the previous lending, which limits our exposure to rising interest rates. During the next financial year, further hedging instruments will be used.

Net current assets has increased by £264k, mainly due to a reduction in creditors due within one year. This has decreased as the interest rate swap, which was valued as a liability last year, is now an asset. This is due to the increase in interest rates above the fixed rate of the swap.

Creditors due over one year is the bank debt. The bank covenants in terms of interest cover and loan to value were met each quarter this year.

Where a property is valued below book cost, the difference between those values has been transferred from the revaluation reserve to the profit and loss reserve. This is a movement between balance sheet reserves and does not impact the profit and loss or the cash flow.

Cash flow

Cash held in the business decreased by £450k during the year. Cash generated by operating activities is £576k, resulting in a net cash outflow of £488k after interest paid. The investment in assets and property improvements of £142k was lower than last financial year.

During the year we sold our investment in Ethical Property Australia, resulting in a cash inflow of £16k.

No dividends were paid during the year (2021: nil).

During the year the lending was refinanced, increasing the debt by £260k. Fees paid relating to this total £94k. The net cash impact is shown in the statement of cash flows.

The cash balance as of 30 September 2022 was £1,241k. Cash flow modelling and testing have been applied to review the resilience of this balance in relation to the longer-term effects of the pandemic.

Going concern

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.

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 and we have tested the covenants for the loan 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 remains 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 18 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.

Risk	Mitigation
Major health and safety incident at a building.	Maintain updated risk assessments for each building and take prompt action on all identified key risks. Continuous review of policies and procedures.
Decline in property standards.	Regular maintenance reviews carried out, budget to improve standards increased. Annual Tenant Survey completed, and regular tenant meetings held where concerns are raised and addressed.
Staff wellbeing, health and retention. Rising inflation costs increase the risk of staff needing to find better-paid jobs or take on second jobs.	All staff completed a personal risk assessment. Employee assistance programme available to all staff, giving access to external advice, support and mental wellbeing tools. Salary review and benchmarking completed in October 2022.
Failure of IT support for staff and tenants.	Cloud computing implemented, firewalls and protection installed. Two-factor authentication is enabled. Penetration testing performed by external company. Staff are advised on data protection compliance.
MEES (minimum energy efficiency standards) regulations will make it difficult to let properties which have an EPC rating below C from 2027, and below B from 2030.	Strategy for each property to include plans to invest in energy efficiency or to sell the property before values are negatively impacted by the deadline.
Failure to meet investor requirements.	Improved communication with investors, including quarterly reporting. Regular review of share price on matched bargain market (Ethex). All shareholder enquiries addressed as a high priority.
Rising interest rates impacting the cost of borrowing.	An interest rate swap is in place, fixing interest rates for 68% of the loan, to mitigate increases in the interest rate. The company aims to reduce the level of debt.
High levels of inflation increasing costs.	Costs are controlled and monitored with budgets. Costs which are recoverable from tenants are passed on. Spend is focused on high-priority and high-impact projects.
Economic slowdown leading to a fall in property values nationally, labour and material supply issues, and rising costs.	Regular monitoring of property values. Careful monitoring and control of budgets, passing costs on to tenants where appropriate. No significant construction projects planned in the short term.
Changes in workspace needs in the longer term, such as a drop in customer base or reduction in supply of cheap space.	Conduct regular reviews of tenants' needs and requirements, e.g. via the annual Tenant Survey. Ensure that staff are able to provide feedback on changes in the space needs of potential and existing tenants. Enhance and promote the benefits of office working, such as synergy and networks, and lower carbon footprint from heating one office rather than several homes.

Governance

After Mark Hannam took over as the new Chair in May 2022, replacing Sam Clarke, the Board took the opportunity to review its governance arrangements and processes.

The Board meets quarterly to assess the progress of the business and holds additional meetings when necessary to deal with urgent matters. Regular Board meetings are attended by members of the Senior Management Team, to provide information and insight that contribute to and support the quality of the Board's decision making.

The Board has three committees that meet during the year, and whose Terms of Reference have been reviewed to ensure that they cover all the important aspects of the company's activities. Each committee has at least two Board Directors as members, and is also able to draw on expert advice from independent committee members as required. The three committees are:

- Risk and Audit Committee, chaired by Nina Alphey;
- Governance and Human Resources

Committee, chaired by Anne-Marie O'Hara;

- Portfolio Investment Committee, chaired by Monica Middleton.

Following the departure of Paul Bellack as Board Director in March 2022, the Board appointed Jenny Ekelund as a new Director in November 2022. The Board would like to extend its thanks to Sam Clarke and Paul Bellack for many years of productive service to the company.

Looking ahead

The Ethical Property Company will continue to work towards its three strategic goals, to create meaningful social, financial and environmental impact.

Social impact:

- Ensuring the safety and wellbeing of all staff and tenants;
- Continuing to improve our offer to tenants, including adapting our services to changing trends in demand and the evolution of home/office working patterns;
- Assessing the impact of our buildings and services on the neighbourhoods where they are situated, and focusing on locations where we can achieve the most impact.

Financial impact:

- Improving profitability by increasing occupancy levels and operational efficiency;
- Delivering financial returns to shareholders in the form of regular dividend payments and improvements in the value and liquidity of our shares;
- Seeking opportunities to expand our service offer through new projects and partnerships, and finding new investors to support the growth of the business.

Environmental impact:

- Reducing the carbon footprint of our buildings, our business activities and our procurement processes;
- Reducing water consumption and waste creation, while increasing the generation of renewable energy, both on-site and off-site, in partnership with others;
- Supporting our tenants and staff to promote sustainability.

On behalf of the Board:

M Hannam (Chair) *Director*
Date: 16 December 2022

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Directors present their annual report and financial statements for the year ended 30 September 2022.

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) (Resigned 23 May 2022)
N Alphey
J Can
M Middleton
A O'Hara
C Peberdy
P Bellack (Resigned 30 March 2022)
M Hannam (Chair) (Appointed 4 April 2022)
J Ekelund (Appointed 11 November 2022)

Directors' interests

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

	Ordinary shares of 50p each	
	2022	**2021**
N Alphey	2,000	2,000
P Bellack	100,000	100,000
J Can	5,000	5,000
S Clarke	50,000	50,000
M Hannam	3,500	-

Results and dividends

The results for the year are set out on page 37.

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:

M Hannam (Chair) *Director*
Date: 16 December 2022

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2022

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 2022 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 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 2022 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.

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 12 months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

The objectives of our audit in respect of fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.

- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP

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

Chartered Accountants
Statutory Auditor

Date: 10 January 2023

6th Floor
9 Appold Street
London
EC2A 2AP

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £'000	2021 £'000
Turnover		5,361	5,261
Cost of sales		(2,776)	(2,899)
Gross profit		2,585	2,362
Administrative expenses		(2,036)	(2,176)
Other operating income		44	244
Operating profit	**3**	593	430
Profit on disposal of investments		16	-
Movement on revaluation of investments	**9**	476	(17)
Other interest receivable and similar income		-	2
Movement in fair value interest rate swap		579	417
Interest payable and similar expenses		(1,064)	(985)
Movement in the revaluation of investment properties	**8**	(2,828)	(2,426)
Loss before taxation		(2,228)	(2,579)
Taxation	**6**	-	-
Loss for the financial year		(2,228)	(2,579)
Earnings per share (pence)	**17**	(3.1)	(3.7)
Earnings per share including valuation movement (pence)	**17**	(14.9)	(17.3)

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

BALANCE SHEET AS AT 30 SEPTEMBER 2022

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		403		449
Investment properties	8		55,746		58,550
Investments	9		7,047		6,524
			63,196		65,523
Current assets					
Debtors	12	780		745	
Cash at bank and in hand		1,241		1,691	
		2,021		2,436	
Creditors: amounts falling due within one year	13	(1,238)		(1,917)	
Net current assets			783		519
Total assets less current liabilities			63,979		66,042
Creditors: amounts falling due after more than one year	14		(26,906)		(26,741)
Net assets			37,073		39,301
Capital and reserves					
Called up share capital	16		7,455		7,455
Share premium account			2,859		2,859
Revaluation reserve			11,157		2,105
Capital redemption reserve			531		531
Profit and loss reserves			15,071		26,351
Total equity			37,073		39,301

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2022 and are signed on its behalf by:

M Hannam (Chair) *Director*
Company Registration No. 02961327

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2020	7,455	2,859	4,548	531	26,487	41,880
Year ended 30 September 2021:						
Loss and total comprehensive income for the year	-	-	-	-	(2,579)	(2,579)
Transfers	-	-	(2,443)	-	2,443	-
Balance at 30 September 2021	7,455	2,859	2,105	531	26,351	39,301
Year ended 30 September 2022:						
Loss and total comprehensive income for the year	-	-	-	-	(2,228)	(2,228)
Transfers	-	-	9,052	-	(9,052)	-
Balance at 30 September 2022	7,455	2,859	11,157	531	15,071	37,073

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Cash generated from operations	**23**		576		758
Interest paid			(1,064)		(907)
Net cash outflow from operating activities			(488)		(149)
Investing activities					
Purchase of tangible fixed assets		(129)		(129)	
Proceeds on disposal of investments		16		-	
Improvements to investment property		(24)		(466)	
Share buy back from investments in associates and joint ventures		-		109	
Interest received		-		2	
Net cash used in investing activities			(126)		(484)
Financing activities					
Proceeds from issue of shares		-		-	
Proceeds from borrowings		164		-	
Net cash generated from/(used in) financing activities			164		-
Net decrease in cash and cash equivalents			**(450)**		**(633)**
Cash and cash equivalents at beginning of year			1,691		2,324
Cash and cash equivalents at end of year			**1,241**		**1,691**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

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, Oxford, United Kingdom, OX4 1JE.

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 12 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. Whilst there remain market uncertainties, the Board is confident that it is appropriate to prepare the accounts 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.

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 properties were last independently valued in March 2021. The Directors reviewed the valuation calculations and updated the assumptions as at 30 September 2022, as described in note 2 and 8.

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.

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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

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

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

1.14 Grants

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

1.15 Foreign exchange

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

1.16 Grant aided renovation

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

2 Judgements and key sources of estimation uncertainty

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

The measurement of fair value 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, rental yields, the outcome of rent reviews and the rate and length of voids.

3 Operating profit

	2022 £'000	2021 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(47)	110
Government grants	-	(244)
Depreciation of owned tangible fixed assets	163	129
Auditor's remuneration – the audit of the company's annual accounts	31	28
Payments to auditor for corporation tax and other services	3	3
Cost of the environmental and social audit	14	6

4 Employees

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

	2022 Number	2021 Number
Administration staff	59	59
Management staff	32	33
	91	92
Full-time equivalent head count of operation staff	62	61

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	2,028	1,954
Social security costs	190	173
Pension costs	119	123
	2,337	2,250

5 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	106	108
Company pension contributions to defined contribution schemes	6	5
	112	113

During the year retirement benefits in respect of a money purchase scheme were accruing to one (2021: one) Director.

Fees of £24k (2021: £35k) were paid to Non-Executive Directors. Key management compensation during the year totalled £335k (2021: £319k). Key management includes the Executive Director and the senior managers.

6 Taxation

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

	2022 £'000	2021 £'000
Loss before taxation	(2,228)	(2,579)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(423)	(490)
Effect of revaluations of investments	(90)	3
Temporary timing differences arising from investment property revaluations and depreciation	537	486
Capital allowances for the year	(146)	(205)
Losses not recognised in deferred tax	122	206
Current taxation charge for the year	-	-
Deferred tax organisation and reversal of timing differences (see below)	-	-
Taxation charge in the financial statements	-	-

As at 30 September 2022 the company had property tax losses of £3,433,658 (2021: £3,433,658) and non-trade loan relationship deficit of £4,567,071 (2021: £4,093,600) available to carry forward against income arising in future years.

Deferred tax timing differences mainly arise from temporary differences between the carrying amount and tax base of investment properties, investments, computer equipment and fixtures.

Ethical Property tax policy

Ethical Property is committed to paying all the taxes owed in accordance with the spirit of all tax laws that apply to our operations. Paying our taxes in this way is the clearest indication the company can give of being responsible participants in society. The company will fulfil the commitment to paying the appropriate taxes owed by seeking to pay the right amount of tax, in the right place, and at the right time. Doing this by ensuring that our tax affairs are reported in ways that reflect the economic reality of the transactions that are undertaken during the course of our business.

The company is committed to not seek out options made available in tax law, or the allowances and reliefs that it provides, in ways that are contrary to the spirit of the law. Nor undertake specific transactions with the sole or main aim of securing tax advantages that would otherwise not be available to us based on the reality of the trade that is undertaken. Transactions will never be undertaken that would require notification to HM Revenue & Customs under the Disclosure of Tax Avoidance Schemes Regulations; nor will we participate in any arrangement to which it might be reasonably anticipated that the UK's General Anti-Abuse Rule might apply.

The company believes tax havens undermine the UK's tax system. We aim not to trade with customers and suppliers located in places considered to be tax havens, but if some customers and suppliers are genuinely located in places considered to be tax havens, no attempt will be made to use those places to secure a tax advantage, nor will we take advantage of the secrecy that many such jurisdictions provide for transactions recorded within them. The company's accounts will be prepared in compliance with this policy and will seek to provide all the information that users, including HM Revenue & Customs, might need to properly appraise our tax position.

7 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 October 2021	358	965	1,323
Additions	31	87	118
Disposals	-	(1)	(1)
At 30 September 2022	389	1,051	1,440
Depreciation			
At 1 October 2021	231	643	874
Depreciation charged in the year	46	117	163
At 30 September 2022	277	760	1,037
Carrying amount			
At 30 September 2022	112	291	403
At 30 September 2021	127	322	449

8 Investment property

	2022 £'000
Fair value	
At 1 October 2021	58,550
Additions	24
Net gains or losses through fair value adjustments	(2,828)
At 30 September 2022	55,746

During the year nil (2021: nil) 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 2022 was £1,380k (2021: £1,380k).

The original cost of the investment properties was £58,648k (2021: £58,624k). The value of long leasehold properties included within investment properties was £7,230k (2021: £7,800k).

The fair value of investment property at 30 September 2022 has been assessed by the Directors. The valuation was made on an open market basis by reference to market evidence of transaction prices for similar properties. The Directors have taken account of a range of users of the properties, and 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.

9 Fixed asset investments

	Notes	2022 £'000	2021 £'000
Investments in joint ventures and associates	10	7,047	6,524

Movements in fixed asset investments	**Joint ventures and associates**
Cost or valuation	
At 1 October 2021	6,524
Valuation changes	476
Foreign exchange movements	47
At 30 September 2022	7,047
Carrying amount	
At 30 September 2022	7,047
At 30 September 2021	6,524

10 Joint ventures and associates

Details of the company's joint ventures and associates at 30 September 2022 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	21.66

The loss for the financial period for Social Justice and Human Rights Centre Limited was £49k and the capital and reserves at the end of the period was £11,131k.

The profit for the financial period ended 30 September 2021 of Ethical Property Europe Group was £3,399k (based on the average exchange rate during the year ended 30 September 2021) and the aggregate amount of capital and reserves at the end of the period was £17,499k (based on the exchange rate at 30 September 2021).

11 Financial instruments

	2022 £'000	2021 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	77	459
Instruments measured at fair value through profit or loss	256	-
Carrying amount of financial liabilities		
Measured at fair value through profit or loss – Other financial liabilities	-	323
Measured at amortised cost	27,937	28,189

Debt instruments comprise trade debtors, derivative financial instruments and other debtors (note 12).

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and deferred income (note 13) and creditors falling due after more than one year (note 14).

12 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	61	110
Derivative financial instruments	256	-
Other debtors	16	349
Prepayments and accrued income	447	287
	780	746

13 Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	353	472
Taxation and social security	207	146
Derivative financial instruments	-	323
Other creditors	476	437
Accruals and deferred income	202	539
	1,238	1,917

14 Creditors: Amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank loans	26,906	26,741

During the year, the existing loans were refinanced into a new loan facility.

The rate of interest applicable on the loans as at the year-end is as follows:

Loan facility 2.4% above 3-month SONIA

The bank loan is sustainability linked with a reduction on the margin linked with the achievement of environmental KPIs. The loan is secured under a fixed charge over the properties.

15 Retirement benefit schemes

	2022 £'000	2021 £'000
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	119	123

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.

16 Share capital

	2022 £'000	2021 £'000
Ordinary share capital issued and fully paid 14,910,708 of 50p each	7,455	7,455

17 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 (2021: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2022 £'000	2021 £'000
Loss on ordinary activities before exceptional items, taxation, fair value interest swap and investment movements	(455)	(553)

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 loss of £2,228k (2021: £2,579k) and on 14,910,708 (2021: 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.

18 Operating lease commitments

Lessee

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

	2022 £'000	2021 £'000
Within one year	6	8
Between two and five years	7	13
	13	21

Lessor

Standard leases to third parties have a break clause of less than one year. Four leases with break clauses of over one year have been identified. The shortest end date of these leases is 4 December 2022, the longest is 31 March 2026. All leases include a provision for upward rent reviews according to prevailing market conditions. There are no options in place for either party to extend the lease terms.

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

	2022 £'000	2021 £'000
Within one year	67	107
Between two and five years	3	32
In over five years	-	-
	70	139

19 Events after the reporting date

At the year end the company had exchanged contracts for the sale of the Stowe property. Completion did not occur until past the year end. The property value, included in investment property, is stated at its agreed selling price of £1.55m less an estimated costs to sell figure of £100k.

20 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 £4,671k (2021: £4,771k). The company raised invoices to Social Justice and Human Rights Centre Limited during the year amounting to £423k (2021: £330k) for management fees. At the balance sheet date included within debtors, the amount due from Social Justice and Humans Rights Centre Limited was £nil (2021: £21k). At the balance sheet date included within creditors, the amount due to Social Justice and Human Rights Centre Limited was £nil (2021: £nil). Also during the year, The Ethical Property Company purchased services totalling £nil (2021: £4k). All transactions were carried out in the normal course of business.

21 Ultimate controlling party

There was no overall controlling shareholder.

22 Analysis of changes in net debt

	1 October 2021 £'000	Cash flows £'000	30 September 2022 £'000
Cash at bank and in hand	1,691	(450)	1,241
Net debt due within and over one year	(26,741)	(165)	(26,906)
	(25,050)	(615)	(25,665)

23 Cash generated from operations

	2022 £'000	2021 £'000
Loss for the year after tax	(2,228)	(2,579)
Adjustments for:		
Finance costs	1,064	985
Interest receivable	-	(2)
Movement on revaluation of investments	(476)	17
Change in fair value of interest rate swap	(579)	(417)
Profit on disposal of investments	(16)	-
Depreciation and impairment of tangible fixed assets	163	129
Movement on revaluation of investment properties	2,828	2,426
Foreign exchange movements on investments	(47)	101
Movements in working capital:		
Decrease in debtors	231	295
(Decrease) in creditors	(364)	(197)
Cash generated from operations	576	758

OUR SISTER ORGANISATIONS

ETIC, FRANCE

The ETIC team has been busy with consolidating bank loans following the refurbishments of its three projects: Le Fil in Toulouse, due to open in early 2023; WikiVillage in Paris, due to open in September 2023; and La Loco in Lille, which will open soon after. Over the course of about a year, ETIC will double the size of its portfolio, from 12,000m² to 25,000m². With bigger size comes bigger budgets, so we have been looking for larger investors and have diversified our source of funds with both equity and bonds.

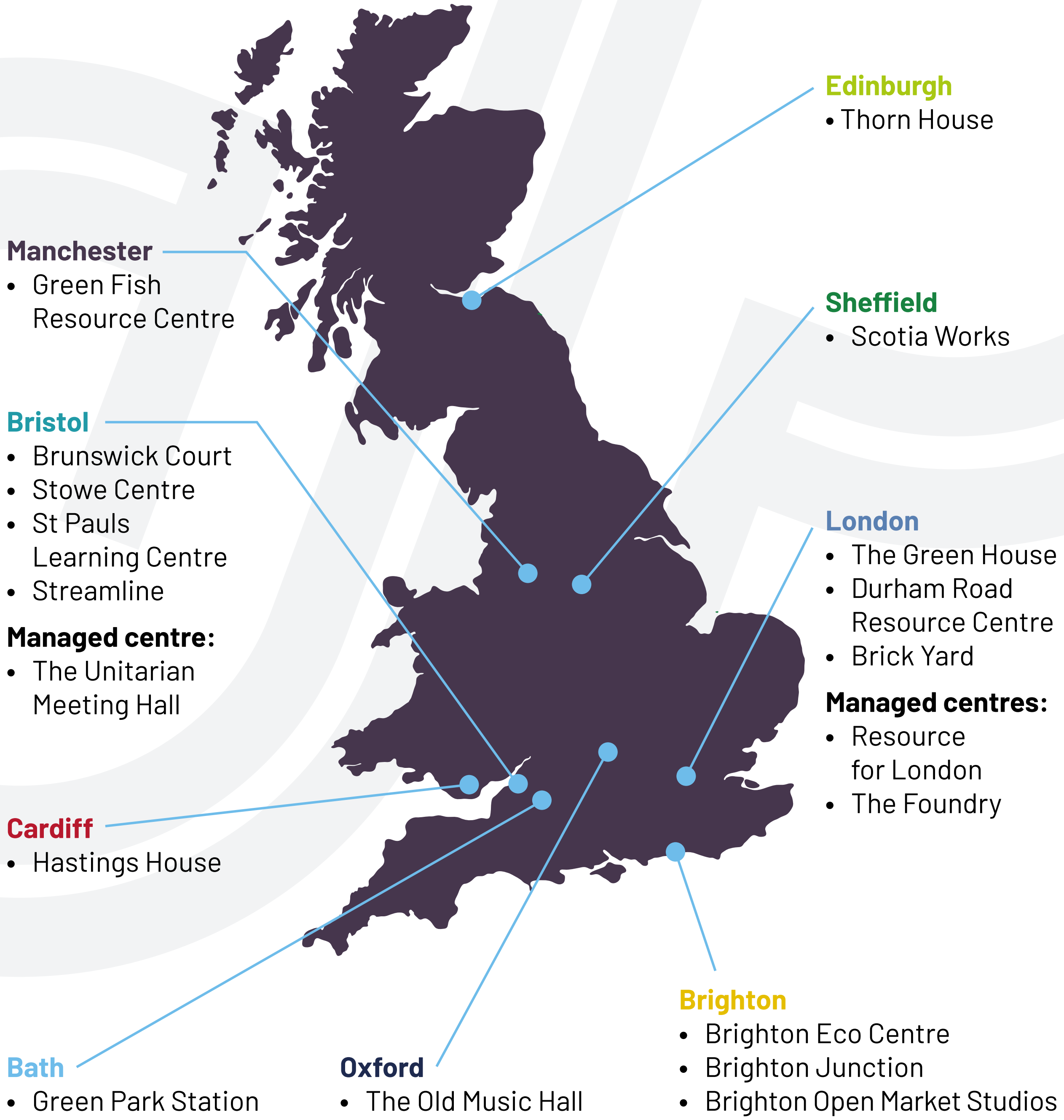
Following Ethical Property's lead, ETIC's Annual Report has been externally audited for the first time, in early 2022, and we also engaged with two impact measurement initiatives. We scored a great "Top 5" in the "impact score" from the Impact France association, which represents social enterprises in the country, and were ranked in equal first place by Gen'éthic, which measures the Corporate Social Responsibility (CSR) activities of French organisations.

MUNDO LAB, BELGIUM

Through the continuing challenges of the pandemic, for the second year running we strove to keep our centres open, welcoming and useful. Although home working has become a necessity as well as an efficient way of working during times of lockdown, we observed a continuous demand for our office spaces and meeting facilities. We are convinced that nothing will replace face-to-face contact. Humans are and will remain social beings! We successfully closed a share issue to finance our Louvain-la-Neuve project: we acquired the land, the building permit was granted and the works are almost complete.

In our existing centres, we remained in close discussions with our tenant organisations about the evolution of their needs during and after the pandemic, and worked to implement the required adaptations. The strongest demand is to connect with others. Individual work and that requiring intense concentration is often kept for home working, while the office is becoming a space to bond and be creative. Members told us they would like more cosy spaces, such as kitchenettes and relaxation areas. They also asked for meeting rooms that improve creativity and reflection. With home working becoming structural, there is also a need for rooms with video-conferencing equipment for hybrid meetings, and for "Skype booths" where users can isolate themselves for online meetings. Simple adaptations have already been implemented, while projects that require more extensive work are part of our plans for the next few years.

OUR CENTRES



ethicalproperty

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

+44 (0)1865 207 810
info@ethicalproperty.co.uk
www.ethicalproperty.co.uk

Company Registration No. 02961327