

FINANCE DIRECTOR'S UPDATE

We have experienced a series of highs and lows so far this year.

In April, a major fire broke out at one of our centres, Green Park Station in Bath. Fortunately, no-one was injured, and we are incredibly grateful to Avon Fire and Rescue Service for battling the 40-foot flames – bringing the fire under control and ultimately saving the Grade II listed building. Despite firefighters' efforts, the fire caused significant damage to the property and has had a major impact on our tenants. Recovery is underway, as described in more detail in this issue.

Occupancy across our portfolio has increased to the highest levels for the last few years. This has enabled us to grow operating profit by 83% compared to last year. However, the rise in interest rates has presented significant challenges and caused a loss before tax. Please see the financial update below for details.

We have recently been informed that Ethex has been required to close its platform (Bulletin Board), due to new regulations. This means it will no longer be able to list shares for sales. At our AGM in March, we spoke about our longer-term plans to dispose of two of our London assets in order to reduce debt and be in a position to launch a share buyback. This included stepping off Ethex, but only when we could announce the share buyback. Unfortunately, the closure of Ethex's secondary market will occur prior to our planned exit. See article below for more information.

Looking forward, our plans remain the same: we are progressing the sale of two of the London properties, and once we are able to do so we intend to seek permission for a share buyback. At that stage we will also outline our longer-term aims to improve share liquidity and reward our investors.

We will keep our investors up to date with progress of our plans and the recovery of Green Park Station.

Cate Teideman
Finance Director



“Occupancy across our portfolio has increased to the highest levels for the last few years”

ETHEX CLOSES SECONDARY MARKET PLATFORM



At our Annual General Meeting (AGM) in March, we outlined our plans to improve shareholder liquidity. This included our intention to withdraw from Ethex (the platform that allows for secondary trading of our shares via its Bulletin Board) in the autumn and, subject to our company's cash position, to deliver a liquidity event later in the year.

In terms of withdrawing from Ethex, we had hoped to extend our current contract with the company into the autumn. However, Ethex has advised that due to changes being introduced by the Financial Conduct Authority (FCA), which take effect on 9 October 2023, it can no longer offer the Bulletin Board service to our shareholders. Given that it often takes a month to settle trades, Ethex will be removing the service ahead of this regulatory deadline to ensure completion of all transactions. Therefore, no further shares will be listed for sale on the Bulletin Board, although Ethex permitted bids to purchase shares that were already listed for sale until 31 August 2023. We regret the short notice of the termination of this service but unfortunately it is due to circumstances beyond our control.

This means that in the short term there will be no facility available to assist in the buying and selling of shares. However, shares can be bought and sold privately and registered with our registrars, Neville Registrars Ltd.

As discussed at our AGM, we also plan to sell one or two of our London buildings and then undertake a share buyback to enable shareholders to sell their shares should they wish to do so. We have put The Green House and The Brick Yard on the market and are currently progressing these sales. Subject to timing, it is our intention to bring detailed proposals for a share buyback to shareholders.

We will continue to keep investors informed of progress via our regular lines of communications, including these updates, our website and our Annual Reports.

REVIEWING OUR ENVIRONMENTAL STRATEGY

As you may know, we published our first Environmental Strategy last year, outlining how as an organisation we intend to reduce our environmental impact and make meaningful progress towards Net Zero. Peter Allen has been leading a review of the strategy, looking at how we can challenge ourselves to be even better.

Ethical Property continually seeks to reduce our negative impact on the planet, in particular by cutting our emissions of greenhouse gases and promoting positive environmental initiatives. We are committed to reducing our operational carbon emissions by a minimum of 50% by 2030 (compared to our baseline set in 2022) and being a Net Zero company by 2040, ahead of UK government targets. We understand that achieving this will be extremely challenging, but we are resolved to make this happen alongside delivering social and financial returns.

Unlike many other workspace providers, we are proud to be different and to publish our aims and targets for all to see. A summary of the reviewed Environmental Strategy will be available on our website in October, and we encourage you to take a look.



FIRE AT GREEN PARK STATION

Back in April, the local team and tenants at Green Park Station in Bath were all set to celebrate a new beginning. After the challenges of Covid, and then roof repairs carried out on behalf of our landlord, the centre could finally return to being a busy and thriving hub representing all that is wonderful in Bath. So it was devastating for everyone involved when this magnificent building was severely damaged by fire.

The fire broke out in the early hours of Sunday 23 April and was quickly attended by Avon Fire and Rescue crews from Bath, Hicks Gate, Kingswood and Temple. They found the blaze tearing through the wooden huts used as retail units. Flames spread into the roof void before they could be extinguished by the firefighters, who returned later to ensure that all embers were dampened down. Our thanks go to all those who attended the incident and managed to save the building.

The fire was a massive shock to our tenants and staff, but despite this they immediately started the mountain of work needed to get Green Park Station secure and safe. Over the weeks and months since the fire, staff have dealt with a vast number of procedures, ranging from enabling tenants to retrieve their belongings as soon as it was safe to do so, and finding help for the organisations who rely on the centre for their trade and income, through to myriad negotiations with the landlord, insurance companies and others. They have also carried out multiple manual tasks just to be able to reopen the doors of this beloved centre.

Very gradually, life has returned to the centre: first we were allowed to open a limited space, then we invited those with permanent retail spaces to return, before finally welcoming back the wonderful array of markets that call Green Park Station home.

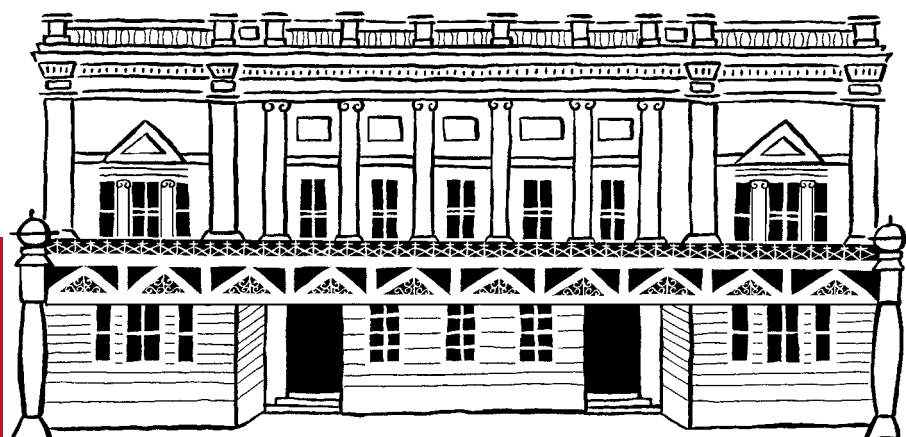
There is much more to do: the area closest to the fire remains closed and the once-thriving huts are either destroyed or out of bounds. The workspace in the vaults is still flooded, both from the amount of water used to put the fire out and from the hole in the roof that lets in every rainstorm.

We have launched a full marketing and PR programme to promote the centre, and the people of Bath are returning to show their support to those who are able to trade. We are all looking forward to finally being able to fully celebrate this wonderful building once all the repair work is completed.

If you find yourself in Bath, please do take the time to visit Green Park Station and experience for yourself some of the city's most inspiring independent businesses and charities. Find out more about what's on offer at: www.greenparkstation.co.uk



Very gradually, life has returned to the centre.... but there is much more to do



FINANCIAL RESULTS

For the three quarters ended 30 June 2023

This year we have seen a significant improvement in operating profits. Average occupancy for quarter three was 84%, and the average for the year to date is 80%. This is an improvement of 5% on the same period last year, with eight of the 15 buildings more than 90% occupied.

In London, occupancy has improved from 64% to 80% over the financial period, with The Green House attracting the most interest. In Brighton, occupancy has improved by 4%, reaching 89%. In Bristol, occupancy has increased from 83% to 94%. The rest of the portfolio has seen occupancy improve by 2%, reaching 86% on average.

Enquiries from potential tenants over the three quarters has increased by 14% compared to the prior year, with London and Bristol attracting the most interest.

Higher levels of occupancy have increased turnover by 11% compared to last year. Prices charged to tenants were increased in April, helping us to improve income. Cost of sales is higher, as the buildings are more occupied and consume more services. Inflation is impacting many of the costs of running the buildings, such as utilities, maintenance and cleaning. Recovery of these costs has improved, particularly over the last quarter.

We have implemented new IT systems to improve efficiency and reduced administrative costs where possible. 7% of administrative expenses relates directly to property management contracts and is funded by these contracts. We have reduced administrative expenses by 2% compared to last year.

Operating profit for the three quarters is £545k, which is an improvement of 83% on last year. We plan to build on this success in the final quarter.

Interest rates continue to rise, and the interest rate hedging has ended. We continue to work with the lender to minimise the impact of interest rate rises. The interest payable so far this year was £1,205k, which is 60% higher than last year.

Overall, the loss for the three quarters was £645k compared with the loss of £453k last year. This is due to higher interest payable costs. We continue to prioritise reducing debt to reduce these costs.

Thank you for your continuing support.



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£'000	Current year		Prior year to date (30 June 2022)		
	Quarter 3	Year to date	Year to date	Variance £'000	Variance %
Turnover	1,623	4,496	4,037	459	11%
Cost of sales	(843)	(2,514)	(2,271)	(243)	-11%
Gross profit	780	1,982	1,766	216	12%
Administrative expenses	(460)	(1,437)	(1,468)	31	2%
Operating profit	320	545	298	247	83%
Income from investments	15	15	0	15	100%
Interest payable	(509)	(1,205)	(751)	(454)	-60%
(Loss)/profit before tax	(174)	(645)	(453)	(192)	-42%
Occupancy (average)	84%	80%	75%		5%

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

THANK YOU!

Thank you to everyone who responded to our investor survey earlier this year – it was great to hear your views.



Of those who responded:

- **72%** would like to hear more about our centres.
- **52%** wanted to see or visit centres local to them.
- Among the things you asked for are updates on Ethex, share liquidity and features on our tenants and staff.

We plan to take this feedback into account in the content of future newsletters. Of course, we welcome your thoughts at any time, not just in response to surveys. Please feel free to contact us at: invest@ethicalproperty.co.uk



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