

FINANCE DIRECTOR'S UPDATE

Welcome to the first quarterly reporting update from Ethical Property. It has been an eventful year so far as we face the many challenges of the coronavirus crisis.

At our online AGM on 28 April, we outlined the company's response to the pandemic. Our number one priority is the safety of our tenants and staff. Following lockdown the majority of tenants are working remotely, but by keeping most of our buildings open we're making it possible for others to provide key services, including to families affected by domestic abuse. There's an example overleaf of how tenants and staff have been helping vulnerable people to cope during lockdown.

Our second priority is to safeguard income. We aim to keep tenants in business and to make sure they are safely able to return to our buildings when the restrictions ease. Tenants with temporary cash-flow issues can request rent deferral during the lockdown, then catch up on payments over a period of time. We have passed cost savings in our building services on to tenants, with a 50% reduction in service charge. We're also signposting support offered by the government, and tenants have given us positive feedback.

The Dividend Waiver Fund, which is funded by the generosity of shareholders, is being used to support seven charities who are unable to pay their rent during the lockdown. They are very grateful for your support - so thank you.

We have furloughed 63% of staff and are delaying all non-essential spend, including IT projects, building improvements and recruitment. We have also delayed a decision on a dividend, as it is prudent to assess the impact of the crisis on the business in the medium term.

As we look to the future and plan for the easing of lockdown, we're working out how social distancing is best implemented in our workspaces. We want to continue to create spaces that tenants want to be in and feel safe working in, as they strive for social and environmental justice in a changed world.

More than ever, we are grateful for your support.

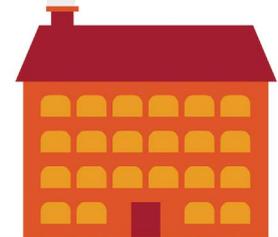
Cate Teideman

Finance Director

WE HAVE PASSED COST SAVINGS IN OUR BUILDING SERVICES ON TO TENANTS, WITH A

50%

REDUCTION IN SERVICE CHARGE



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GETTING FOOD TO FAMILIES IN NEED

Bath Farmers Market in Green Park Station is distributing weekly food parcels to vulnerable families during the coronavirus crisis. Charles Beer, market and property manager for Ethical Property, is leading the initiative.

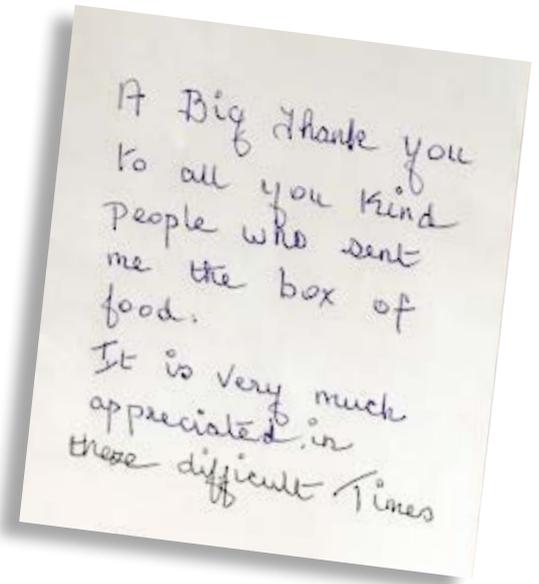
"It's a difficult time for traders at the Farmers Market as this is their only point of sale, so it's important for them to keep it going," Charles explains. "At the same time there are lots of families being shielded - so we decided to deliver food parcels to people who can't get to the shops themselves. Ethical Property donated £200 for the first week, which meant we could deliver five parcels."

"It was quite emotional delivering those first parcels. Two of the families have children with cystic fibrosis, which means they are in strict lockdown. They were actually in tears when they came to the door. This had a big impact on me. We delivered the first parcels on the Saturday, and I set up a crowdfunding page on the Monday."

BBC local radio ran a story on the initiative, and as word got around the market's customers dug deep to help local families. "My partner Heather works at the market," continues Charles. "When customers arrive, she gets them to sanitize their hands and has a chat with them about the fund. Ethical Property staff have also donated very generously."

The Big Issue's Bath sales and operations team are one of Ethical Property's not-for-profit tenants in Green Park Station, and its volunteers and vendors are among those supported by scheme. Charles and Heather have now delivered 45 parcels, giving vulnerable people a helping hand at an incredibly difficult time.

"For some it might just mean they can have a roast dinner on the Sunday or a really good breakfast, but it's a real plus for them. They've been so surprised and touched to know that someone was thinking of them. It's a really good feeling seeing the look on people's faces when they open the door - you can see what it means to them and you know you genuinely are making a difference to their lives."



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Find out more and help to buy a food parcel for vulnerable families at:

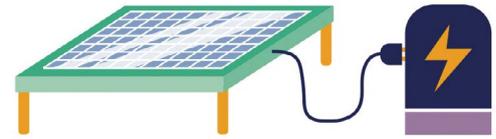
www.crowdfunder.co.uk/farmers-market-food-parcels-for-shielded-families

ENVIRONMENTAL IMPACT

These are extraordinary times. Steps for reducing environmental impact are on hold temporarily while many staff and tenants are furloughed, most of our buildings lie empty for much of the week, and we concentrate on getting people safely back to work following lockdown.

Although our overall energy use has drastically reduced, meaningful progress on environmental performance will be slow given the freeze on spending on building and other improvements.

A great deal of effort is now going into planning how we get tenants back to work safely. The focus on health and safety could, at least initially, have a negative impact on environmental performance, for example with greater reliance on single-use materials and less recycling. We will strive to minimise any harmful environmental impacts of new practices and to build on the positive lessons of lockdown, including increased use of technology instead of travel.



OUR OVERALL ENVIRONMENTAL AIMS, AS OUTLINED AT OUR VIRTUAL AGM IN APRIL, REMAIN:

- Buying all our energy generated from only renewable sources.
- Generating our own renewable energy in as many ways as possible.
- Reducing energy use by improving the building fabric while investing in more energy efficiencies.
- Encouraging building users to consume less.

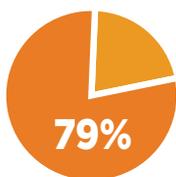
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FINANCIAL RESULTS

For the quarter ended 31 March 2020

AVERAGE OCCUPANCY IS UP TO:



OPERATING PROFIT IS HIGHER THAN THE SAME PERIOD LAST YEAR:



DIVIDENDS FROM INVESTMENTS HAVE BEEN DELAYED

£'000			Prior year to date (31 March 2019)		
	Quarter	Year to date	Prior year to date	Variance £'000	Variance %
Turnover	1,418	2,808	2,301	507	22%
Cost of sales	(789)	(1,633)	(1,383)	(250)	-18%
Gross profit	629	1,175	918	257	28%
Administrative expenses	(522)	(1,063)	(876)	(187)	-21%
Other	-	-	7	(7)	-100%
Operating profit	107	112	49	63	128%
Income from shares in group interests	-	-	141	(141)	-100%
Interest payable	(273)	(550)	(415)	(135)	-32%
Other	1	1	2	(1)	-36%
(Loss)/profit before tax	(165)	(437)	(223)	(214)	-96%
Occupancy (average)	82%	79%	73%		

Revaluation of property, investments and interest rate swap is performed at year end. These results have not been verified by the auditors; this will be completed at year end.

COMMENTARY ON FINANCIAL PERFORMANCE

Occupancy of our buildings is a key driver of our profitability. Two new buildings became operational last year. As it has taken a while to fill these spaces, average occupancy last year was lower than usual, at 71% over the 12 months. Average occupancy so far this year is up, at 79%. Our largest building, The Green House, currently has occupancy of 85%, which will increase average occupancy for this year.

Gross profit is higher when compared to the same period last year due to increased occupancy of the two new buildings. Administrative expenses are higher than last year due to rates on unlet offices, increased spend on marketing for the new buildings, higher spend on IT, and increased costs of property valuations expected this year.

Although operating profit is £63k higher than last year, profit before tax is lower because dividends have not yet been received from our investments. Dividends are likely to be lower this year due to the impact of coronavirus, particularly on conferencing activity. Interest payable is higher as some interest was capitalised last year.

We are grateful for our shareholders' continued support during this challenging time. Thank you.



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