INVESTOR UPDATE

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2024: ISSUE 1

FINANCE DIRECTOR'S UPDATE

Thank you to everyone who attended our AGM in person or online on 24 September in Vauxhall, London.

The AGM provided a platform for us to reflect on our key achievements, challenges and strategic direction. We were able to have meaningful discussions about the company's performance and our plans for the future. It was an enjoyable event and we appreciated the opportunity to talk to investors, answer their questions and receive their feedback.

In this issue, we publish the results of the voting at the AGM and explain how we will align reporting on our social and environmental impact with the new financial reporting period. We also share how we are making progress against our impact goals.

In the financial performance section, you can find an update on the first quarter of this financial year compared with the same quarter last year.

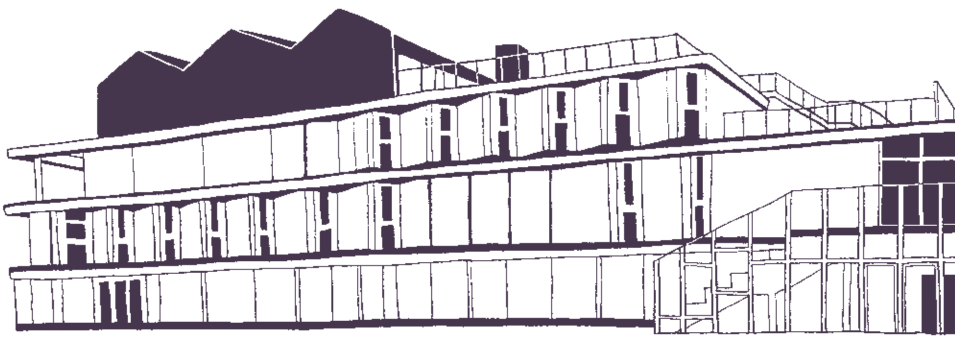
We welcome your feedback and questions, so if you would like to get in touch, please email us at invest@ethicalproperty.co.uk.

As always, thank you for your continuing support.

"We appreciated the opportunity to talk to investors, answer their questions and receive their feedback."

Cate Teideman
Finance Director

We aim to publish Investor Updates twice a year. In the meantime, find out what's going on and keep in touch via our website and social media.



AGM NEWS

It was great to so many of you at our recent Annual General Meeting, which took place on 24 September at The Foundry in London. For those of you who couldn't make it, the following is a summary of what was discussed.

At the meeting we reviewed the last 18 months, rather than 12 months, due to our decision to extend the reporting period by six months. During this period our strategic focus has been on reducing debt, the careful management of costs, and increasing income.

A key priority has been to increase occupancy, which is our main source of income. During the reporting period, occupancy across our portfolio has increased by 9%, to 83%, with strong demand for our services and high levels of enquiries about space. At the end of the period, the majority of our buildings had over 90% occupancy. Only five buildings had lower than 90% occupancy, with three of those in London.

In total we supported 295 tenants as well as thousands more centre users who benefited from our training, conference and meeting spaces. We welcomed increasing numbers of service providers who support some of the most vulnerable sections of society. We have seen a rise in individuals wanting space in our regional offices, as people are less willing to commute long distances. Tenants have also been increasingly interested in communal and meeting spaces and added-value services, as people are looking not just for a desk but an environment in which they can achieve more!

Whilst our ability to invest in making significant environmental improvements has been limited, it is positive to see that our carbon emissions are lower than the five-year average and we are now using 100% green energy in all of our centres. You can find out more about our environmental performance in our Impact Report 2022/23.

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Operationally our priority has been to invest in areas of the business that can make us more efficient and profitable. We have invested in a number of new systems including a property management system, a finance system and a digital phone system, with the aim of driving down costs and making us more agile and efficient.

This work has helped us to increase operating profit in the period; however, we still face some financial challenges. The costs of services and utilities has continued to rise, and recruitment is more challenging in the current market. But the biggest impact on our financial results has been the rise in interest rates, which is why we have been working on plans to reduce debt and the levels of interest payable.

Looking forward, we are focused on returning to profitability by improving:

- Occupancy, through marketing of the company, our spaces and our offer.
- The performance of our assets, by continuing to identify ways to better utilise our buildings and spaces.
- Our offer, to ensure we are providing services that tenants value most.

We will continue to progress our plans to reduce the level of debt to more manageable levels. Since the publication of the Annual Report we have already exchanged contracts on two properties. Alongside this we are also working on plans to expand our social impact and support new projects.

For example, we are focused on rolling out a series of placed-based projects. We have seen and continue to see a high demand from partners who want to use our assets for community benefit, and over the past 12 months we have been working with a number of charities, trusts, local authorities and developers to support their plans.

Working on these types of projects is really interesting to us as it builds on our skills and creates new income streams, such as consultancy and property management contracts. It also enables us to increase our impact with lower levels of capital investment compared to our traditional model of 100% ownership.

Once we have improved performance, we will return to paying a regular dividend as soon as possible. We recognise that we need to take further steps to improve share liquidity. Once we have funds, our aim is to run share buybacks, and alongside that we will continue to review potential share trading platforms. Ultimately it is our aim to offer an investment product that not only delivers high levels of impact but offers a fair financial return with improved share liquidity.

AGM RESULTS

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Final results for proxy appointments received for the AGM held at 12.15 on 24 September 2024.

		VOTES FOR	VOTES AGAINST	WITHHELD	RESULT*
(Ordinary) Resolution 1	To receive audited reports and accounts	2,985,900	0	6,920	Resolution passed
(Ordinary) Resolution 2	To re-appoint Moore Kingston Smith LLP as auditor	2,956,592	0	36,228	Resolution passed
(Ordinary) Resolution 3	To approve the Social Report 2022-2023	2,988,340	0	4,480	Resolution passed
(Ordinary) Resolution 4	To re-appoint Heidi Fisher MBE as the auditor of the Social Report 2023–2025	2,981,712	0	11,108	Resolution passed
(Ordinary) Resolution 5	To approve the Environmental Report for 2022–2023	2,986,060		6,760	Resolution passed
(Ordinary) Resolution 6	To re-appoint Environmental Monitoring Solutions as the auditor of the Environmental Report for 2023–2025	2,968,940	2,080	21,800	Resolution passed
(Ordinary) Resolution 7	To elect Abena Fairweather as a Director of the Company	2,978,340	2,480	12,000	Resolution passed

* An Ordinary Resolution requires a simple majority (over 50%) of the votes cast to be in favour in order to be passed.

PUBLISHING OUR PERFORMANCE: THE IMPACT REPORT

The publication of our Impact Report demonstrates the emphasis the company puts on minimising the impact of our activities on the environment. The report shares the results from our environmental audit, which took place towards the end of last year, covering October 2022 to September 2023.

This is our second environmental audit carried out by Environmental Monitoring Solutions (EMS), and the process been a learning curve for us all. EMS not only audits us as a whole company but also selects three centres for a full environmental audit onsite. This comprehensive approach challenges us and helps us learn as we strive to embed positive practices and further reduce our carbon footprint.

The audit showed that we are heading in the right direction: carbon emissions last year were lower than the five-year average and we are now using 100% green energy in all of our centres, with on-site solar generation providing 5% of our electricity.

The findings provide guidance to us all at Ethical Property, and publishing the available data is also making a difference to our tenants. Each centre now has an easy to follow report on energy usage, which is published on our website and on display in communal spots throughout the building. It's been great to hear the positive feedback from tenants old and new that they find this information accessible and an incentive to reducing energy use and minimising waste in their centre.

The next environmental audit will cover an 18-month period to bring it in line with our new reporting period. As approved at the AGM, the auditor will once again be Environmental Monitoring Solutions.

The audit helps us learn as we strive to embed positive practices and further reduce our carbon footprint.

The Impact Report 2022/23 is popular with prospective tenants for providing an insight into how we work, and is therefore a great tool for our sales team. Being able to demonstrate the difference we make helps us stand out from the crowd. As always, we're proud to be leading the way in measuring and reporting on environmental and social impact.

To find out more, see our Impact Report 2022/23 and Environmental Strategy Summary: Towards Net Zero.

MAKING (EVEN MORE OF) A DIFFERENCE IN LOCAL COMMUNITIES

Following on from the social impact audit, we wanted to challenge ourselves further as a company to make more of a difference in the communities we work among. As part of this, all staff have been asked to make two 'social impact pledges', outlining ways they will contribute to positive change.

Some staff members have organised gardening clubs, which provide wonderful spaces for people to meet, socialise and enjoy the outdoors. Other pledges have included collecting for foodbanks or getting involved in local communities and charity networks. The list of planned activities and initiatives is diverse and inspiring.

These pledges will form part of our next appraisal process, with staff being able to report on what they have achieved. Over the coming years, we will expand on this project so we can continue to make a real difference to communities through our actions, big and small. These pledges will also be part of the next social impact audit and we will report back on them in the Impact Report.

The next social impact audit will cover an 18-month period to bring it in line with our new reporting period. As approved at the AGM, our auditor will once again be Heidi Fisher MBE, from Make an Impact CIC.

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Green Park Station in Bath was recently featured in the Channel 4 series *Abandoned Railways from Above*. You can watch the programme here.

FINANCIAL RESULTS For the quarter ended 30 June 2024

Following the decision to extend the financial reporting period, our financial year now starts in April and ends in March. The first quarter of the new financial year ended 30 June 2024, and is compared with the quarter ending 30 June 2023 below.

Average occupancy for the quarter was 81%, which was 3% lower than the same time last year. While occupancy has increased in Brighton, Oxford and Edinburgh, filling our centres in London has remained far more challenging than in the other locations. Organisations in the capital are taking smaller spaces than previously, and we have also seen an increase in tenants facing economic hardship, with some being forced to downsize and some going into administration. However, we are expecting occupancy in London to increase this autumn, as we are seeing significantly more tenant enquiries and viewings.

Although average occupancy is lower than last year, turnover is 7% higher. This is due to higher charges to tenants to improve cost recovery on the services provided. We applied modest rent increases in buildings that were below local market rate.

Cost of sales was 4% higher due to inflation impacts on utilities, cleaning and staff costs. Overall gross profit improved by 10% compared to prior year. Overheads increased by 4% due to higher spend on IT systems and the impact of inflation.

Interest payable was slightly lower than prior year, the loan balance was £200k lower and variance interest rates slightly lower. We received a dividend in Q1 last year which we haven't yet received this year.

Following feedback from investors, we are showing the earnings per share in pence for the quarter, excluding the financing costs. This shows that 2.55 pence per share was earned in Q1 of this year, an improvement of 0.3 pence per share from last year. This shows the underlying performance of the company without the impact of the cost of lending.

We will continue to progress the plans outlined in the annual report and at the AGM, and to report on this progress.

Thank you for your continuing support.

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£'000	Current year Quarter 1	Prior year to date (30 June 2023) Quarter 1	Variance £'000	Variance %
Turnover	1,737	1,623	114	7%
Cost of sales	(934)	(896)	(38)	-4%
Gross profit	**803**	**727**	**76**	**10%**
Administrative expenses	(423)	(406)	17	-4%
Operating profit	**380**	**321**	**59**	**18%**
Interest payable	(502)	(510)	8	2%
Income from investments	0	15	(15)	-100%
(Loss)/profit before tax	**(122)**	**(174)**	**52**	**30%**
Occupancy (average)	81%	84%		-3%
Earnings per share excluding interest payable (pence)	2.55	2.25	0.30	13%

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.

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