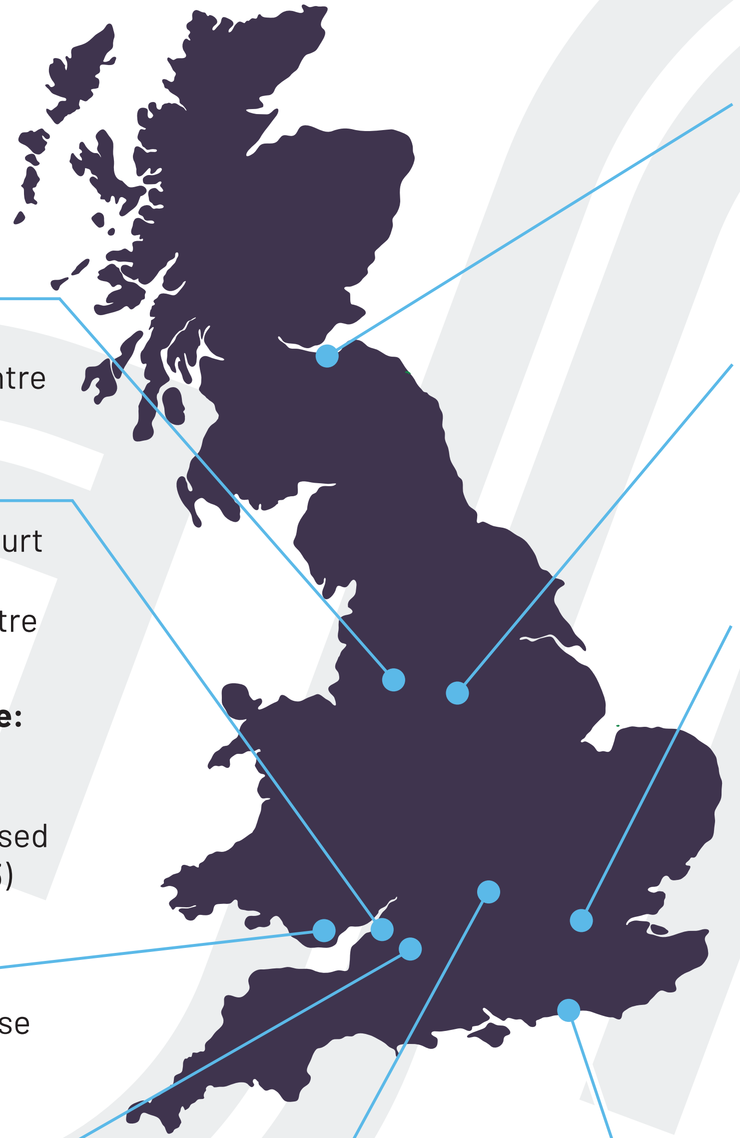
ANNUAL REPORT

COVERING OCTOBER 2022 – MARCH 2024

ethicalproperty

OUR CENTRES

ethicalproperty



Edinburgh
- Thorn House

Sheffield
- Scotia Works

Manchester
- Green Fish Resource Centre

Bristol
- Brunswick Court
- St Pauls Learning Centre
- Streamline

Managed centre:
- The Unitarian Meeting Hall (contract ceased 31st May 2023)

London
- The Green House
- Durham Road Resource Centre
- Brick Yard

Managed centres:
- Resource for London
- The Foundry

Cardiff
- Hastings House

Bath
- Green Park Station

Oxford
- The Old Music Hall

Brighton
- Brighton Eco Centre
- Brighton Junction
- Brighton Open Market Studios

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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.

REVIEW OF THE YEAR – WELCOME TO OUR ANNUAL REPORT

Welcome to our annual report. This covers a period of 18 months as we extended the reporting period by 6 months due to ongoing negotiations on disposal of assets and discussions with our lenders.

It has been an incredibly challenging operating environment due to increasing costs and interest rates which have had a significant impact on our performance and results. In order to safeguard investors interests the company has been focused on careful cost control, increasing occupancy and reducing debt.

OCCUPANCY

Occupancy for the period was 83% an increase of 9% compared to the prior reporting period. We have seen strong growth in cities such as Brighton, Cardiff, Edinburgh and Manchester, whilst London continues to remain more challenging with an increase in tenants giving notice due to financial hardship.

TENANT NUMBERS AND MIX

In total we supported 295 organisations* as tenants. Given the pressure on their resources it was positive to see that 89% of tenants continue to state that we provide value for money. 90% said being in an Ethical Property centre helped them achieve their goals, a 4% increase from the previous reporting period. This is encouraging given that many tenants are continuing to adjust their workspace needs due to financial pressures and changes in working practices.

OUR BUILDINGS

We have faced a number of property related issues in the period, most noticeable at Green Park Station in Bath which suffered from a major fire in April 2023. This has caused significant disruption to the tenants and building users with the majority of spaces being out of operation for part or all of the period.

We have also seen a significant rise in anti-social behaviour, this has impacted a number of centres but most noticeably St Pauls Learning Centre in Bristol. This is certainly linked to the cuts in service provision and the reduction in levels of support to vulnerable sections of our communities.

Due to pressure on cashflow, we have had to limit investment in buildings to target essential maintenance works and improvements that can increase income. This has included significant roof works to Scotia Works in Sheffield which suffered flooding in October 2023 and February 2024. We have also continued to invest in our IT infrastructure which is essential to our offer.

ENVIRONMENTAL IMPACT – NET ZERO

Overall, our carbon emissions for the period are lower than the five-year average as usage has reduced and we are now using 100% renewable electricity. The renewable energy generated on-site from solar made up 5% of EPC's overall electricity.*

THE OPERATIONS

In preparation of the sale of assets, we have invested in systems in order to generate greater organisational efficiencies. This has included investment in a new property management platform and cloud-based finance software. These advances in technology mean we are providing our people with better tools to do their jobs, enabling them to work more efficiently and effectively.

OPERATING PROFIT

Through a combination of careful cash management and increased occupancy, operating profit improved from £546k in the prior 12 months to £1,281k for the 18-month period. However, this progress has been significantly hampered by a rise in interest payable and the reduction in the valuation of our investment properties. Interest payable increased from £1,064k in the prior 12 months to £2,888k in the 18-month reporting period. Whilst the value of our investment properties has reduced by £14.3 million over the period, resulting in a net loss of nearly £16 million.

DISPOSALS

The losses for the year are not sustainable, which is why we have focused on selling buildings in order to reduce debt, improve profitability and generate funds to deliver on our plans.

Unfortunately, the combination of high interest rates, rising costs and changes in office occupation has suppressed the office market. This makes for very challenging trading conditions. At the stage of writing, we are continuing to make progress and are negotiating with a number of parties.

CONCLUSION

Despite the testing operating environment over the past 18 months, it is inspiring to work with so many changemakers that continue to make a real difference to their communities. I have also been very impressed with the resilience of the team, the support from the board and understanding of investors.

LOOKING FORWARD

The key objective for the next 12 months are:

RETURNING TO PROFITABILITY

It is essential that we return to profitability. We are focused on improving income by driving up occupancy through investing in marketing, our centres and improving our offer. We are also focused on developing new income generation opportunities through our existing assets. This includes improving spaces, looking at change of use where applicable and utilising spaces in new ways. We will continue to identify and deliver greater efficiencies in our operating model that can enable us to reduce expenditure and will progress plans to recycle underperforming investments to generate higher yields.

REDUCING DEBT AND SECURING A NEW LOAN FACILITY

Given the high interest rates, we will continue to progress our plans to sell assets in order to reduce debt and decrease the level of interest payable. By lowering the level of debt, it also opens up new refinancing opportunities with a wider set of lenders. We will continue to explore new options as the level of borrowing we require post disposal becomes clearer.

ROLLING OUT OUR PLACED BASED STRATEGY

In order to increase our impact and improve our financial performance we will continue to roll out our placed based strategy to develop and manage property that is aimed at achieving impact. Our focus is to leverage our skills and experiences to support partners such as landowners, investors and changemakers to make better use of their resources and assets.

A key part to this is developing our consultancy services in order to support partners from conception to delivery. This will increase our pipeline of projects, the number of organisations we can support and enable us to generate new sources of revenue that are less capital intensive.

IMPROVING OUR INVESTOR PERFORMANCE

In order to deliver our plans, it is essential that we improve our offer to investors. As well as delivering impact it is crucial that we improve profitability in order to return to paying regular dividends. We also recognise the importance of improving share liquidity. Which is why we are focused on using part of the sale proceeds to deliver a share buy back. In the longer term, once we have addressed dividend and liquidity concerns, the plan is to run regular share raises, alongside a series of smaller buybacks.

**figures correct as per the impact audit and report published in March 2023, covering October 2022 – September 2023. Our next Impact Audit and Report will cover October 2023 – March 2025, the following reports will fall in-line with the financial reporting period.*

OUR IMPACT

Holding ourselves accountable to our impact values remains an important part of who we are as a company. Both our Social and Environmental Impact audits took place late last year and their findings are included in our 2022 / 2023 Impact Report.

89%

of tenants said we provided good value for money.

90%

of tenants said that being in an Ethical Property centre helped them achieve their goals.

83%

of tenants said that they would recommend Ethical Property.

69%

of tenants said that being in an Ethical Property centre encouraged their staff to walk, bike or take public transport to work.

86%

of tenants stated that being in a centre with like-minded organisations had an impact.

Our mains electricity consumption is at its **lowest for 5 years**.

Our current salary ratio of highest to lowest paid worker is **3.84:1**

86%

of staff said that working with like-minded organisations was good for their work-life wellbeing.

92%

of staff said that they enjoy working at Ethical Property.

90%

of staff feel involved and aligned with the company.

93%

of staff said they were satisfied or very satisfied with our working culture.

For more information, see our Impact Report at:

https://www.ethicalproperty.co.uk/news-event-projects/news/impact-report-20222023

Our next Impact Audit and Report will cover October 2023 – March 2025, the following reports will fall in-line with the financial reporting period.

BOARD OF DIRECTORS

Mark Hannam, Chair
Appointed as Chair 4 April 2022. Mark sits on the Audit and Risk Committee and attends both the Governance & HR and Portfolio Investment Committees.

Anne-Marie O'Hara
Appointed 21 March 2019; reappointed 30 March 2022. Anne-Marie is the Chair of the Governance & HR Committee.

Jennifer Ekelund
Appointed to the Board 9 November 2023.
Jennifer is the Chair of the Audit and Risk Committee.

Juliet Can
Appointed 21 March 2019: reappointed 30 March 2022. Juliet sits on the Portfolio Investment Committee.

Monica Middleton
Appointed 21 March 2019; reappointed 30 March 2022. Monica is the Chair of the Portfolio Investment Committee.

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

Nina Alphey
Stepped down from the Board on 15 January 2024.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 31 MARCH 2024

THE ETHICAL PROPERTY COMPANY PLC
COMPANY INFORMATION

Directors	J Can
	J Ekelund (Appointed 9 November 2022)
	A Fairweather (Appointed 7 May 2024)
	M Hannam (Chair)
	M Middleton
	A O'Hara
	C Peberdy
Secretary	A Higson
Company number	02961327
Registered office	The Old Music Hall 106-108 Cowley Road Oxford OX4 1JE
Auditor	Moore Kingston Smith LLP 6th Floor 9 Appold Street London EC2A 2AP
Bankers	Lloyds Bank plc 2nd Floor 125 Colmore Row Birmingham B3 3SF

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2024

The directors present their strategic report for the period ended 31 March 2024.

BUSINESS REVIEW

Our focus on improving the financial performance of Ethical Property was a key priority for all staff and Board members. We have achieved a growth in operating profit from £546k in 2021/22 to £1,281k over the 18 month-period. On average, this is a year-on-year increase of 56%. Many of our buildings have occupancy above 90% and are full of activity.

During the 18-month period to 31 March 2024, 69 tenants moved out and 12 tenants moved offices (4 upsized, 8 downsized). In the same period, 32 tenants renewed their leases and 82 new tenancies were signed. This growth in tenants is reflected in the higher levels of occupancy and improved turnover.

In April 2023, 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 the firefighters' efforts, the fire caused significant damage to the property and has had a major impact on our tenants. Currently part of the centre has reopened; however, the complex and lengthy repairs needed mean that the centre will not return to normal operations until 2025.

The external macroeconomic environment has been difficult for many organisations, with Bank of England interest rates rising from 2.25% to 5.25% during the reporting period. Higher interest rates impacts our business in two areas. Firstly, the cost of servicing our debt increases, which has an impact on profit and on cash. Secondly, the value of commercial property and other real assets tends to fall, as it is more expensive for investors to finance their holdings, so expected yields are higher. This reduces the value of our property but only has an impact on cash if the property is sold.

In September 2022, the bank loan was refinanced with Lloyds Bank with a sustainability-linked loan secured against the portfolio. To mitigate the impact of the rise in interest rates, and to meet financial covenants, it was necessary to reduce the loan. The loan was reduced by £750k in November 2022 from the sale of Stowe Centre in Bristol. Additional disposals are in the pipeline to further reduce the loan.

Our progress and commitment to reducing the loan balance has resulted in a good working relationship with Lloyds Bank. Interest payments have been met as they fall due and the bank loan has been extended to 30 September 2024, and we continue to work with Lloyds Bank on a lending agreement beyond this date.

During the reporting period we have achieved high levels of growth in occupancy and operating profit, and demonstrated strong recovery from the pandemic. The Board, management and staff have focused on improving profitability, and these results can be seen in improvement in operating profit. Despite this progress, macroeconomic factors have caused a reduction in the value of the portfolio and higher interest rates. This has resulted in a loss for the reporting period and a reduction in the balance sheet.

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).

	2023/24	2022
Net lettable area ('000 square feet)	172	177
Occupancy (average over financial period)	83%	74%
Gross profit (£'000) (12-month average)	2,820	2,585
Return on book cost (12-month average)	4.3%	3.9%

Our net lettable area has reduced due to the sale of Stowe Centre in Bristol in December 2022. Average occupancy has improved by 9%, which shows good recovery post-pandemic. In March 2024, 9 of the 15 buildings had occupancy above 90%.

The gross profit has been adjusted to be comparable with the prior year, and has increased due to higher levels of occupancy. This has increased turnover and improved cost recovery in the buildings. The return on book cost has improved due to the higher gross profit. This calculation is also based on a 12-month period so it is comparable to the prior year.

RESULTS AND DIVIDENDS

The loss for the 18 months is £15,994k (2022: £2,228k loss). The operating profit for the 18 months is £1,281k (2022: £546k). When comparing with prior year performance, the 12-month average has been used for 2023/24.

Turnover increased by £911k (17%) (12-month average) due to higher levels of occupancy in the buildings and better recovery of costs. Cost of sales increased due to higher cost of utilities, insurance and business rates. These costs were passed on to tenants as appropriate.

Administrative expenses increased by £24k (1%) (12-month average) due to spend on external property valuations and investment in IT systems. Spend on marketing, staff overheads and related costs decreased by 8% as part of a cost-saving programme.

Our sister company in Belgium, Mundo Labs (formerly Ethical Property Europe), continued to grow its balance sheet and paid a dividend during the year. 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 £287k.

Bank lending was hedged with an interest rate swap, which was valued as an asset (£256k) in September 2022. The hedging ended in April 2023, so this asset was reversed to the profit and loss account.

Interest payable for the 18 months was £2,888k (2022: £1,064k). The interest payable on the lending is based on the three-month SONIA rate plus 2.4%. The interest rate hedging limited the impact of increasing interest rates until April 2023.

Revaluation of our investment properties has led to a write-down of £14.4m from prior year. The largest reduction of value is in the London properties. These represent 60% of the portfolio value, but 92% of the reduction in value. Commercial property in London has been impacted more heavily by the higher interest rates and lower levels of occupancy due to the reluctance of office workers to commute.

The valuations were assessed by Allsop LLP and produced for the balance sheet date 30 September 2023. This was reviewed, and is considered to be still accurate for March 2024. Where property has been marketed, the valuations have been adjusted to reflect offers received.

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

BALANCE SHEET

Net assets decreased by £16m, mainly due to the revaluation of the property portfolio. Net asset value per share is £1.41, which is £1.07 lower than the prior year. £0.96 of this movement relates to the revaluation of property.

Debtors has reduced by £390k, mainly due to the unwinding of the interest rate swap from the prior financial period.

The loan with Lloyds Bank has been extended to 30 September 2024 while we work on reducing the loan balance. For this reason, the bank loan balance of £26.25m has been moved from creditors due after one year to creditors due within one year.

CASH FLOW

Cash held in the business decreased by £293k during the reporting period. Cash generated by operating activities was £1,797k, resulting in a net cash outflow of £1,128k after interest of £2,888k was paid.

The sale of Stowe Centre in Bristol was completed, which resulted in £1,486k cash inflow. No dividends were paid during the reporting period (2022: nil).

The cash balance as of 31 March 2024 was £948k. Cashflow modelling and testing have been applied to review the resilience of this balance in relation to the longer-term effects of higher interest rates.

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 cost of funding our bank debt remains challenging. The key mitigation measures available would be to further reduce the company's cost base and capital expenditure. Other options include issuing new share capital for cash, asset sales and leasebacks, and obtaining further covenant waivers.

Note 1.3 Going Concern (page 23) to the financial statements sets out the material uncertainties that the company faces. The Board concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements because the Board has a reasonable expectation that the company will continue to operate as a going concern for at least 12 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
Reducing debt and refinancing the remaining loan balance.	Continue with plan to sell assets and repay the loan. Work closely with the bank on this plan.
High interest rates impacting the business model and ability to return to profit.	Review portfolio and strive for better financial performance. Increase rent and improve cost recovery where appropriate. Investigate business opportunities with lower capital outlays.
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 2023.
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 regular reporting. All shareholder enquiries addressed as a high priority.
Skill mix for the Board and senior management team insufficient for changing business environment; risk of skill gaps during retirement and recruitment of Directors.	Recruitment of new non-executive Directors and independents ahead of anticipated Board retirements. Annual skills review conducted by the Chair.
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.

SECTION 172(1) STATEMENT

The Ethical Property Company is committed to operating as a responsible and sustainable business, recognising our obligations to various stakeholders: tenants and building users, shareholders, suppliers, the environment, and the local community. We understand that our success is intrinsically linked to the wellbeing and interests of these groups, and as such, we aim to fulfil our statutory duties in accordance with Section 172 of the Companies Act 2006.

OUR OBLIGATIONS TO STAKEHOLDERS

1. Tenants and building users:
   a. Providing a safe and comfortable work environment which encourages collaborative working and networking to increase impact in the sector.
   b. Ensuring fair and transparent leasing agreements, with flexible lease terms.
   c. Addressing any concerns or issues promptly through the centre management team on site and through the centre management group.
   d. Promoting community and tenant engagement with activities suitable for both groups.
2. Shareholders:
   a. Delivering sustainable financial performance.
   b. Regular reporting and updates, and timely responses to queries.
   c. Transparent communication of company objectives and performance.
   d. Maintaining a strong corporate governance framework.
3. Suppliers:
   a. Encouraging ethical and responsible supply chain practices, including paying staff at least the living wage.
   b. Paying suppliers fairly and on time.
4. The environment:
   a. Reducing the environmental impact of our operations.
   b. Implementing sustainable practices to minimise energy and resource consumption.
   c. Sourcing renewable energy and biogas to reduce carbon emissions.
   d. Maximising recycling of waste for tenants and building users as much as possible.
5. Local community:
   a. Engaging with the local community through outreach programmes and events.
   b. Contributing to the local economy and job creation.
   c. Minimising any negative impacts of our business on the community.

Our approach

We uphold the following key principles and actions to demonstrate our commitment to Section 172:

1. Informed decision making: We consider the interests of all stakeholders when making strategic decisions, taking into account their unique needs and priorities.
2. Sustainability and responsibility: We are committed to environmental sustainability, ethical business practices and positive social impact. This includes reducing our carbon footprint, improving energy efficiency and promoting social impact activities.
3. Communication and engagement: We actively engage with our stakeholders through open and transparent communication. We listen to their feedback and concerns, and address these appropriately.
4. Financial performance: We aim to provide long-term value to our shareholders by maintaining a strong financial performance, while balancing this with the interests of other stakeholders.
5. Compliance: We adhere to all relevant legal and regulatory requirements, ensuring that our actions are in compliance with the law.

Governance

The Board meets quarterly to assess the progress of the business and holds additional meetings when necessary to deal with urgent matters. Members of the Senior Management Team regularly attend Board meetings to provide information and insight that contribute to and support the quality of the Board's decision making. This year, in addition to the oversight of the property disposal process, the board has focused its attention on a thorough review of the strategic risk register and the development of a new partnership approach to business development.

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:

1. Audit and Risk Committee, chaired by Jenny Ekelund.
2. Governance and Human Resources Committee, chaired by Anne-Marie O'Hara.
3. Portfolio Investment Committee, chaired by Monica Middleton.

Following the departure of Nina Alphey as Board Director in January 2024, the Board appointed Abena Fairweather as a new Director in May 2024. The Board would like to extend its thanks to Nina Alphey for many years of productive service to the company.

Looking ahead

The Ethical Property Company will continue to work towards its key goals over the next 12 months:

1. Returning to profitability.
   a. Improve income generated by the portfolio with higher occupancy and improved cost recovery.
   b. Implement further cost efficiencies and leverage the new IT systems for better performance.
   c. Recycle buildings which are not able to generate required levels of profit.
   d. Demand better returns from investments or redeploy capital into better performing investments or projects.
   e. Investigate new income streams using our existing skill set.
2. Reducing debt and securing new lending.
   a. Complete planned asset sales and reduce debt.
   b. Refinance debt with lower interest rates and hedging in place.
3. Rolling out our place-based strategy.
   a. Build networks with new partners that have similar goals.
   b. Develop a consultancy service around using buildings for impact.
4. Improving our investor performance.
   a. Chart a path to return to regular dividend payments.
   b. Move towards regular share buybacks to improve share liquidity.

On behalf of the board

M. Hannam

M Hannam (Chair)
Director

Date: 16 August 2024

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2024

The Directors present their annual report and financial statements for the period ended 31 March 2024.

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.

RESULTS AND DIVIDENDS

The results for the period are set out on page 19.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

DIRECTORS

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

N Alphey (Resigned 15 January 2024)
J Can
J Ekelund (Appointed 9 November 2022)
A Fairweather (Appointed 7 May 2024)
M Hannam (Chair)
M Middleton
A O'Hara
C Peberdy

DIRECTORS' INTERESTS

The directors' who served during the period and their beneficial interests in the company are stated below:

	Ordinary shares of 50p each	
	2024	**2022**
N Alphey	2,000	2,000
P Bellack	N/A	100,000
J Can	5,000	5,000
S Clarke	N/A	50,000
M Hannam	5,500	3,500

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

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 DIRECTORS' RESPONSIBILITIES

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.

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 August 2024

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 period ended 31 March 2024 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 31 March 2024 and of its loss for the period 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.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to note 1.3 in the financial statements which explains that the company has entered into a standstill agreement with the Lloyds Bank as it has breached the terms of its facility agreement. The terms of the standstill agreement require the company to sell properties in order to repay bank loans totalling £26,250,000. Whilst the sale of properties is progressing, the timing of the completion of the transactions are uncertain and as a result the company is reliant on an extension of the standstill agreement with the bank, which currently expires on 30 September 2024.

As stated in note 1.3 these events and conditions, along with the other matters as detailed in note 1.3 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 period 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 purpo se. 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: 22 August 2024

6th Floor
9 Appold Street
London
EC2A 2AP

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2024

	Notes	Period ended 31 March 2024 £'000	Year ended 30 September 2022 £'000
Turnover		9,408	5,361
Cost of sales		(5,178)	(2,776)
Gross profit		4,230	2,585
Administrative expenses		(3,160)	(2,083)
Other operating income		211	44
Operating profit	**3**	1,281	546
Profit/(loss) on disposal of investments		(4)	16
Movement on revaluation on investments		287	476
Other interest receivable and similar income		4	-
Movement in fair value interest rate swap		(256)	579
Interest payable and similar expenses		(2,888)	(1,064)
Movement in the revaluation of investment properties		(14,360)	(2,828)
Profit/(loss) on sale of investment property		4	-
Loss before taxation		(15,932)	(2,275)
Tax on loss	**6**	-	-
Loss for the financial period		(15,932)	(2,275)
Other comprehensive income			
Currency translation (loss)/gain taken to retained earnings		(62)	47
		(15,994)	(2,228)

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

Earnings per share (pence)	**18**	(10.8)	(3.1)
Earnings per share including valuation movement (pence)	**18**	(107.3)	(14.9)

BALANCE SHEET AS AT 31 MARCH 2024

	Notes	2024 £'000	2024 £'000	2022 £'000	2022 £'000
Fixed assets					
Tangible assets	**7**		258		403
Investment properties	**8**		39,900		55,746
Investments	**9**		7,244		7,047
			47,402		63,196
Current assets					
Debtors	**12**	390		780	
Cash at bank and in hand		948		1,241	
		1,338		2,021	
Creditors: amounts falling due within one year	**13**	(27,661)		(1,238)	
Net current (liabilities)/assets			(26,323)		783
Total assets less current liabilities			21,079		63,979
Creditors: amounts falling due after more than one year	**14**		-		(26,906)
Net assets			21,079		37,073
Capital and reserves					
Called up share capital	**17**		7,455		7,455
Share premium account			2,859		2,859
Revaluation reserve			7,191		11,157
Capital redemption reserve			531		531
Profit and loss reserves			3,043		15,071
Total equity			21,079		37,073

The financial statements were approved by the board of directors
and authorised for issue on .... and are signed on its behalf by:

M. Hannam

M Hannam (Chair)
Director

Date: 16 August 2024

Company Registration No. 02961327

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2024

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 October 2021	7,455	2,859	2,105	531	26,351	39,301
Year ended 30 September 2022:						
Loss for the year	-	-	-	-	(2,275)	(2,275)
Other comprehensive income:						
Currency translation differences	-	-	-	-	47	47
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
Period ended 31 March 2024:						
Loss for the period	-	-	-	-	(15,932)	(15,932)
Other comprehensive income:						
Currency translation differences	-	-	-	-	(62)	(62)
Total comprehensive income for the period	-	-	-	-	(15,994)	(15,994)
Transfers	-	-	(3,966)	-	3,966	-
Balance at 31 March 2024	7,455	2,859	7,191	531	3,043	21,079

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2024

	Notes	2024 £'000	2024 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Cash generated from operations	24		1,797		576
Dividends received			(37)		-
Interest paid			(2,888)		(1,064)
Net cash outflow from operating activities			(1,128)		(488)
Investing activities					
Purchase of tangible fixed assets		(66)		(118)	
Proceeds from disposal of tangible fixed assets		2		-	
Improvements to investment property		-		(24)	
Proceeds from disposal of investment property		1,486		-	
Proceeds on disposal of investments		28		16	
Interest received		4		-	
Dividends received		37		-	
Net cash generated from/(used in) investing activities			1,491		(126)
Financing activities					
Proceeds from borrowings		-		164	
Repayment of bank loans		(656)		-	
Net cash (used in)/generated from financing activities			(656)		164
Net decrease in cash and cash equivalents			(293)		(450)
Cash and cash equivalents at beginning of period			1,241		1,691
Cash and cash equivalents at end of period			948		1,241

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2024

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 REPORTING PERIOD

The company has elected to extend the reporting period from the 30 September 2023 to the 31 March 2024. The reason for using a longer period was to provide further time for the company to advance financing arrangements. The fact that a longer period is being used means that the comparative amounts presented in the financial statements are not entirely comparable.

1.2 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 investment properties at fair value. The principal accounting policies adopted are set out below.

1.3 GOING CONCERN

The directors have reviewed forecasts and budgets for the period to 31 October 2025, which have been drawn up with appropriate regard for the current economic environment and the particular circumstances in which the company operates. These were prepared with reference to historical and current industry knowledge, taking into account the future strategy of the company.

During the period the company breached the financial covenants of its bank facility agreement with Lloyds Bank, although all interest has been paid when falling due. As a result the loan outstanding of £26,250k became repayable within the year. Accordingly the bank loan is now disclosed as creditors falling due within one year, and as at the balance sheet date the company had net current liabilities of £26,230k.

As the company was unable to repay the outstanding loans on 31 January 2024, under the terms of the facility agreement it entered into a standstill agreement with the bank. This agreement was originally for the period ended 31 May 2024, but was subsequently extended until 30 September 2024. This agreement allows the company time to progress sales of properties to repay debt and remedy the breach of the financial covenants.

As at the date of approval of the financial statements, one property has been sold and a second has exchanged contracts of sale (see note 21) and the sale of other properties are well advanced. The directors are confident that the bank will extend the period of the standstill agreement and the sale of properties will proceed within the anticipated time period, which will allow the company to repay agreed levels of debt to the bank. So far the bank has extended the standstill agreement from 31 May 2024 to 31 July 2024 and then 30 September 2024.

As a result of these consideration, at the time of approving the financial statements, the directors consider that the company has sufficient resources to continue in operational existence for the foreseeable future. However, given that a degree of uncertainty exists in the timing of future sales, there exists a material uncertainty in relation to the going concern basis adopted in the preparation of the financial statements.

1.4 TURNOVER

Turnover comprises rents, service charges, management fees and consultancy fees receivable by the company, exclusive of value added tax.

1.5 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.

1.6 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.

1.7 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 September 2023. The Directors reviewed the valuation calculations and updated the assumptions as 31 March 2024, as described in notes 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.

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.

1.8 FIXED ASSET INVESTMENTS

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.

1.9 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.

1.10 CASH AND CASH EQUIVALENTS

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.

The company has an external loan agreement which includes certain cash restrictions. The restrictions include a predefined balance of £300,000 to be reserved within a blocked bank account separately with the bank. The directors have considered the company's obligations under the the agreement and have ensured compliance with the cash restriction in place. As at 31 March 2024, the balance was £150,000.

1.11 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 through 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.

1.12 EQUITY INSTRUMENTS

Share capital issued by the company is recorded at the proceeds received, net of direct issue costs. Dividends payable on share capital are recognised as liabilities once they are no longer at the discretion of the company.

1.13 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.

1.14 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.

1.15 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.

1.16 GOVERNMENT 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.

1.17 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.

2 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the Directors are required to make judgments, 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 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 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.

Investments in joint ventures and associates are valued at the company's share of net assets, translated to sterling for foreign currency amounts. The carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Interest rate swaps are determined by reference to the market-to-market valuations provided by the derivative provider.

3 OPERATING PROFIT

	2024	2022
Operating profit for the period is stated after charging:	**£'000**	**£'000**
Auditor's remuneration - the audit of the company's annual accounts	49	31
Payments to auditor for corporation tax and other services	5	3
Depreciation of owned tangible fixed assets	209	163

4 EMPLOYEES

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

	2024 Number	2022 Number
Administration staff	64	59
Management staff	28	32
Total	92	91
Full-time equivalent head count of operation staff	61	62

Their aggregate remuneration comprised:

	2024	2022
	£'000	**£'000**
Wages and salaries	3,254	2,028
Social security costs	291	190
Pension costs	191	119
	3,736	2,337

5 DIRECTORS' REMUNERATION

	2024	2022
	£'000	**£'000**
Remuneration for qualifying services	193	106
Company pension contributions to defined contribution schemes	9	6
	202	112

During the period, retirement benefits in respect of a money purchase scheme were accruing to one (2022: one) Director.

Fees of £59k (2022: £24k) were paid to Non-Executive Directors. Key management compensation during the period totalled £522k (2022: £335k). Key management includes the Executive Director and the senior managers.

6 TAXATION

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

	2024	2022
	£'000	£'000
Loss before taxation	(15,932)	(2,228)
Expected tax credit based on the standard rate of corporation tax in the UK of 23.01% (2022: 19.00%)	(3,666)	(423)
Effect of revaluations of investments	(71)	(90)
Other non-reversing timing differences	3,363	537
Deferred tax adjustments in respect of prior years	(804)	-
Dividend income	(9)	-
Tax effect of accelerated capital allowances	(97)	(146)
Movement in deferred tax not recognised	1,143	122
Remeasurement of deferred tax for changes in tax rates	(27)	-
Taxation charge for the period	-	-

As at 31 March 2024 the company had estimated property tax losses of £3,434k (2022: £3,434k) and non-trade loan relationship deficit of £6,892k (2022: £4,567k) 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 or 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 of those places to secure a tax advantage, and nor 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	Computer equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 October 2022	389	1,051	1,440
Additions	25	41	66
Disposals	(8)	(36)	(44)
At 31 March 2024	406	1,056	1,462
Depreciation and impairment			
At 1 October 2022	277	760	1,037
Depreciation charged in the period	52	157	209
Eliminated in respect of disposals	(7)	(35)	(42)
At 31 March 2024	322	882	1,204
Carrying amount			
At 31 March 2024	84	174	258
At 30 September 2022	112	291	403

8 INVESTMENT PROPERTY

	2024
Fair value	£'000
At 1 October 2022	55,746
Disposals	(1,486)
Net gains or losses through fair value adjustments	(14,360)
At 31 March 2024	39,900

The company's freehold properties and long leasehold properties comprising of office spaces were valued on 30 September 2023 by Allsop LLP, an independent valuer with experience in the location and class of the investment properties being valued. Where property has been marketed during the period, Where property has been marketed during the period, valuations have been based on offers received less cost of sale.

The valuation of the properties was on the basis of Market Value and that any investment properties would be sold subject to any existing leases and tenancies.

The Market Value of the properties as at 31 March 2024 was £39,900k (2022: £55,746k). In the directors opinion, the fair value of the investment properties undertaken by the independent valuer does not materially differ from the carrying value as at the balance sheet date.

The original cost of the investment properties was £58,265k (2022: £58,648k). The value of long leasehold properties included within investment properties was £5,890k (2022: £7,230k).

During the year nil (2022: £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 31 March 2024 was £1,380k (2022: £1,380k).

9 FIXED ASSET INVESTMENTS

	Notes	2024 £'000	2022 £'000
Investments in joint ventures and associates	10	7,244	7,047

Movements in fixed asset investments

Cost or valuation	**Joint ventures and associates £'000**
At 1 October 2022	7,047
Valuation changes	287
Foreign exchange movements	(62)
Disposals	(28)
At 31 March 2024	7,244
Carrying amount	
At 31 March 2024	7,244
At 30 September 2022	7,047

10 JOINT VENTURES AND ASSOCIATES

Details of the company's joint ventures and associates at 31 March 2024 are as follows:

Name of undertaking	Registered office	Interest held	% Held Direct
Social Justice and Human Rights Centre	The Old Music Hall, 106-108 Cowley Road, Oxford, Oxfordshire, OX4 1JE	Ordinary	41.93
Mundo Lab SA (formerly Ethical Property Europe)	Avenue des Arts 7-8, 1210, Brussels, Belgium	Ordinary	20.37

11 FINANCIAL INSTRUMENTS

	2024 £'000	2022 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	117	77
Instruments measured at fair value through profit or loss	-	256
Carrying amount of financial liabilities		
Measured at amortised cost	27,434	27,937

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

In the prior year the company had an interest rate swap as at the year end in relation to the bank loan. The company agreed to swap the variable interest payments on the loan, being the 3 month SONIA, and fix its interest payments on the loan at 1.499%.

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

12 DEBTORS

	2024 £'000	2022 £'000
Amounts falling due within one year:		
Trade debtors	103	61
Derivative financial instruments	-	256
Other debtors	14	16
Prepayments and accrued income	273	447
	390	780

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Notes	2024 £'000	2022 £'000
Bank loans	**15**	26,250	-
Trade creditors		108	353
Taxation and social security		227	207
Other creditors		472	476
Accruals and deferred income		604	202
		27,661	1,238

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Notes	2024 £'000	2022 £'000
Bank loans and overdrafts	**15**	-	26,906

During the year, the existing loans were refinanced into a new loan facility and the loan is now repayable on demand and is payable by 30 September 2024.

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 LOANS AND OVERDRAFTS

	2024 £'000	2022 £'000
Bank loans	26,250	26,906
Payable within one year	26,250	-
Payable after one year	-	26,906

16 RETIREMENT BENEFIT SCHEMES

	2024	2022
Defined contribution schemes	**£'000**	**£'000**
Charge to profit or loss in respect of defined contribution schemes	191	119

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.

17 SHARE CAPITAL

	2024	2022	2024	2022
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Issued and fully paid				
of 50p each	14,910,708	14,910,708	7,455	7,455

18 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on earnings as set out below and on 14,901,708 (2022: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2024	2022
	£	**£**
Loss on ordinary activities before exceptional items, taxation, fair value interest swap and investment movements	(1,607)	(455)

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 £15,994k (2022: (£2,228k)) and on 14,910,708 (2022: 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.

19 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:

	2024	2022
	£'000	**£'000**
Within one year	6	6
Between two and five years	4	7
	10	13

Lessor

Standard leases to third parties have a break clause of less than one year. Eight leases with break clauses of over one year have been identified. The shortest end date of these leases is 30 June 2024, the longest is 31 January 2026. All of the 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:

	2024	2022
	£'000	**£'000**
Within one year	192	195
Between two and five years	47	143
	239	338

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 period end the value of the company's investment in the share capital of Social Justice and Human Rights Centre Limited was £4,822k (2022: £4,671k). The company raised invoices to Social Justice and Human Rights Centre Limited during the period amounting to £730k (2022: £423k) for management fees. At the balance sheet date included within debtors, the amount due from Social Justice and Human Rights Centre Limited was £nil (2022: £nil). At the balance sheet date included within creditors, the amount due to Social Justice and Human Rights Centre Limited was £nil (2022: £nil). Also during the period, The Ethical Property Company purchased services totalling £2k (2022: £nil). All transactions were carried out in the normal course of business. The company paid a dividend of £22k to The Ethical Property Company in the period.

21 EVENTS AFTER THE REPORTING DATE

On 6 June 2024, exchange on a property took place where £600k was released as agent to The Ethical Property Company plc. Subsequently on 7 June 2024 there was a repayment of bank debt of £585k. On 12 August 2024, exchange of sale contract for a second property took place. Net proceeds on completion will be used to repay bank loans.

22 ULTIMATE CONTROLLING PARTY

There was no overall controlling shareholder.

23 ANALYSIS OF CHANGES IN NET DEBT

	1 October 2022	Cash flows	31 March 2024
	£'000	**£'000**	**£'000**
Cash at bank and in hand	1,241	(293)	948
Borrowings excluding overdrafts	(26,906)	656	(26,250)
	(25,665)	363	(25,302)

24 CASH GENERATED FROM OPERATIONS

	2024	2022
	£'000	£'000
Loss for the period after tax	(15,932)	(2,275)
Adjustments for:		
Finance costs	2,888	1,064
Investment income	(4)	-
(Profit)/loss on disposal of investments	4	(16)
Movement on revaluation of investments	(287)	(476)
Change in fair value on interest rate swap	256	(579)
Movement on revaluation of investment properties	14,360	2,828
Depreciation and impairment of tangible fixed assets	209	163
(Profit)/loss on sale of investment property	(4)	-
Movements in working capital:		
Decrease in debtors	134	231
Increase/(decrease) in creditors	173	(364)
Cash generated from operations	1,797	576

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