

## FINANCE DIRECTOR'S UPDATE

**Welcome to the second quarterly reporting update from Ethical Property – our first full quarter operating under the pandemic restrictions.**

All our buildings have now been adapted to allow for social distancing, and we've been working closely with our tenants on making our workspaces as safe and comfortable as possible. Inside this report, Astrid Hayles, our Head of Assets, describes the challenges of achieving this without compromising our environmental principles.

During the pandemic we have managed to keep open all but one of our buildings. St Pauls Learning Centre in Bristol, which offers a wide range of services to the local community, had to close in line with government guidance. In the following pages, centre manager Gem Burgoyne and Regional Manager Sarah Campbell describe the vital role of the centre, the impact of lockdown and their hopes for its future.

From a financial perspective, we continue to focus on cash management. We want to support our tenants and to retain them in our buildings, and one way of doing this is by reducing costs and passing the savings on to tenants as much as possible. We have continued to share information on the government grants and support available, and are constantly sharing learning on social distancing in the workplace.

Most tenants are invoiced monthly and are reliable in making payments. Before the pandemic, monthly rent collection was above 95%. After adjusting for discounts and arranged rent deferrals, our monthly rent collection remains above 90%. This is significantly higher than industry standard. As we support our tenants, our tenants support us. An important factor behind this is communication – we are open and transparent with tenants, and keep in regular contact.

We are also fortunate that we have excellent employees. Many of our staff were furloughed during this reporting period, and spent the time volunteering or caring for vulnerable people. They remain in contact with Ethical Property and look forward to returning to work in the next couple of months. We are also indebted to the employees who have worked throughout lockdown, often in very unusual and challenging circumstances. Our Board have supported and guided us throughout; Board members have regularly met with senior managers, and have waived their fees.

Ethical Property is privileged to enjoy this support from our tenants, employees, directors and shareholders. We hope that you and your families are safe and well, and we thank you for your continued support as we navigate the challenges ahead.

**Cate Teideman**

*Finance Director*



## SOCIAL IMPACT

# SPOTLIGHT ON ST PAULS LEARNING CENTRE

St Pauls Learning Centre in Bristol is a vibrant community hub and an excellent example of the kind of social impact we strive to make.

**Gem Burgoyne**, who lives in the area and knows its needs very well, had been with Ethical Property for almost a year and had recently been promoted to centre manager when lockdown took effect. Gem and **Sarah Campbell**, Regional Manager South West and Wales, explain why this centre is so special to so many – and why they can't wait to get it up and running again.

### What was the centre like before lockdown?

**Gem:** "Busy! So many people used the centre – not just the room bookings and classes, they used the library and café (to work in and meet friends and family), and many used the signposting and advice on hand. It was really achieving its full potential, often fully booked, and people were constantly coming in to ask about classes. People were piloting new businesses and working on grassroots projects."

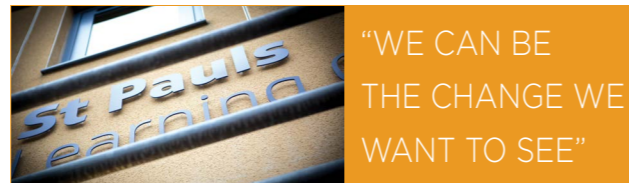
### Who uses the centre?

**Sarah:** "Lots of local people, but the reach is much further, with people coming from all over Bristol to use the facilities. We've a wide social mix, and the cross-pollination of projects means they all support each other in one way or another. For example, those paying for a class help us to provide cheaper or free space for some of the other much-needed resources."

### What happened to the centre in lockdown?

**Sarah:** "We offered the building to other organisations in the local area. However, many grassroots projects stepped up to help people, so the building wasn't needed by them."

**Gem:** "For example, we reached out to Talo, who are based in the flats next to the centre. They've been providing learning packs, shopping and advice. They used our printers to produce the learning packs and came in to put together care packages for Eid. The café in the centre also opened to provide takeaway food for many residents."



### What do you think the community missed the most during lockdown?

**Gem:** "Some people in the area don't have mobile phones or broadband, so our internet resources were always well used. With so many things going online during lockdown, not being able to use the centre was a real loss. With the English language classes, a lot of people helped each other with advice – it wasn't just the lessons that were important to them. They may start with an English lesson, then use things such as the Trauma Foundation [which provides free counselling to asylum seekers and refugees] and go on from there."

### What are you looking forward to most for the future of St Pauls?

**Sarah:** "Lots of positive things are about to happen. There is a re-emergence at St Pauls Learning Centre – we're blossoming, with new tenants moving in and the Green Way project [a wellbeing initiative]. It will be a challenge too of course."

**Gem:** "An increased sense of connection with other community hubs, so we can provide more. I think we're entering a new phase and it's a chance to make us stand out on the map and build more community links. It means that we can be the change we want to see."



At the time of writing, St Pauls is in the process of safely opening its doors to the public – and will once again be an icon of social impact.

## ENVIRONMENTAL IMPACT

# UNCOMFORTABLE TRUTHS: THE ENVIRONMENTAL IMPACT OF SOCIAL DISTANCING

**Astrid Hayles**, Head of Assets, describes the challenges of balancing safety, cost and environmental concerns as we adapt our buildings to reduce the risk of Covid-19 transmission.

Like all companies, Ethical Property has had to produce a roadmap for social distancing within our buildings. This has presented challenges not only in the physical sense but also at a psychological level, as we strive to create workspaces where tenants can feel safe and relaxed. It has also created some moral dilemmas: the safety of all building users is our number one priority, but in our bid to ensure this we cannot lose sight of our environmental impact. This has presented some interesting choices as to how we direct tenants to protect themselves and sanitise their workspace. We've had to ask questions like 'how much hazard tape is enough?'; and do we use disposable wipes, which ensure individual hygiene but have negative environmental consequences?

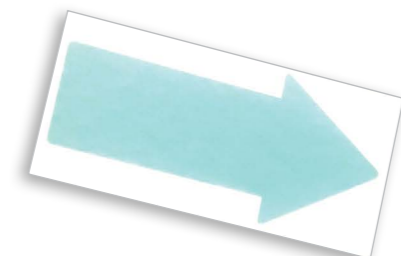
The choices seemed endless, and in some cases 'protection' won out over 'planet'. This was absolutely necessary, but has made for uncomfortable truths. As is always the case, we were restricted by accessibility and cost, so this is what we decided to do:

Wherever possible, we would repurpose what we already had in our buildings, e.g. only using recyclable containers for all hand-sanitising and cleaning products, or buy items that had a longer life, such as mechanisms that hold doors open permanently, creating a 'no need to touch' internal environment. We chose a cardboard construction for our hand-sanitising units at entry and exit points, which admittedly don't have any longevity but do the job and can be recycled. Almost all of our new signage has been created in-house and is paper-based. The only exceptions to this are the floor indicators and some of the health and safety signage. These had to be more robust due their placement and compliance – so sadly they are made of non-recyclable plastic, and a lot of it.

The biggest gain of course has been the huge reduction in energy, waste and water consumption during lockdown. While this is not the way any of us would have chosen to achieve this, it's a win nonetheless and will add to the drive to reduce consumption in all our buildings. We will continue to carefully monitor workplace practices as we work with tenants to create safe and pleasant workspaces without compromising our environmental goals.



"THE CHOICES WERE ENDLESS – AND IN SOME CASES, PROTECTION WON OUT OVER PLANET"



# FINANCIAL RESULTS

For the quarter ended 30 June 2020

£'000			Prior year to date (30 June 2019)		
	Quarter	Year to date	Prior year to date	Variance £'000	Variance %
Turnover	1,148	3,956	3,573	383	11%
Cost of sales	(501)	(2,187)	(2,194)	7	0%
<b>Gross profit</b>	<b>647</b>	<b>1,769</b>	<b>1,379</b>	<b>390</b>	<b>28%</b>
Administrative expenses	(381)	(1,392)	(1,425)	33	2%
Other	-	-	11	(11)	-100%
<b>Operating profit</b>	<b>266</b>	<b>377</b>	<b>(35)</b>	<b>412</b>	<b>1,177%</b>
Income from shares in group interests	-	-	169	(169)	-100%
Interest payable	(253)	(802)	(702)	(100)	-14%
Other	39	42	3	39	1,300%
<b>(Loss)/profit before tax</b>	<b>52</b>	<b>(383)</b>	<b>(565)</b>	<b>182</b>	<b>32%</b>
Occupancy (average)	84%	81%	71%		

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

## COMMENTARY ON FINANCIAL PERFORMANCE

This quarter we made an operating profit of £266k. This is mainly due to higher occupancy in the buildings. We also sold a small property in Bristol, generating a profit of £39k. This sale has been planned for a while, and we are pleased to report that the building continues to operate with the tenants in situ.

The profit for the quarter has contributed to the profit year to date. Operating profit for the year so far is £412k higher than last year, driven by higher occupancy and tight cost control. We would normally receive dividends from our investments, but these have been impacted by Covid-19.

Overall, we have made an operating profit of £377k and a loss before tax of £383k. This is an improvement on last year, even under the challenging trading circumstances.

If you are interested in buying or selling shares in Ethical Property, please contact Ethex:

**ethex.org.uk • help@ethex.org.uk • 01865 403304**

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



*ethical*  
PROPERTY

The Old Music Hall, Oxford, OX4 1JE • info@ethicalproperty.co.uk

[www.ethicalproperty.co.uk](http://www.ethicalproperty.co.uk)

