Annual Report 2017-18

ethical PROPERTY

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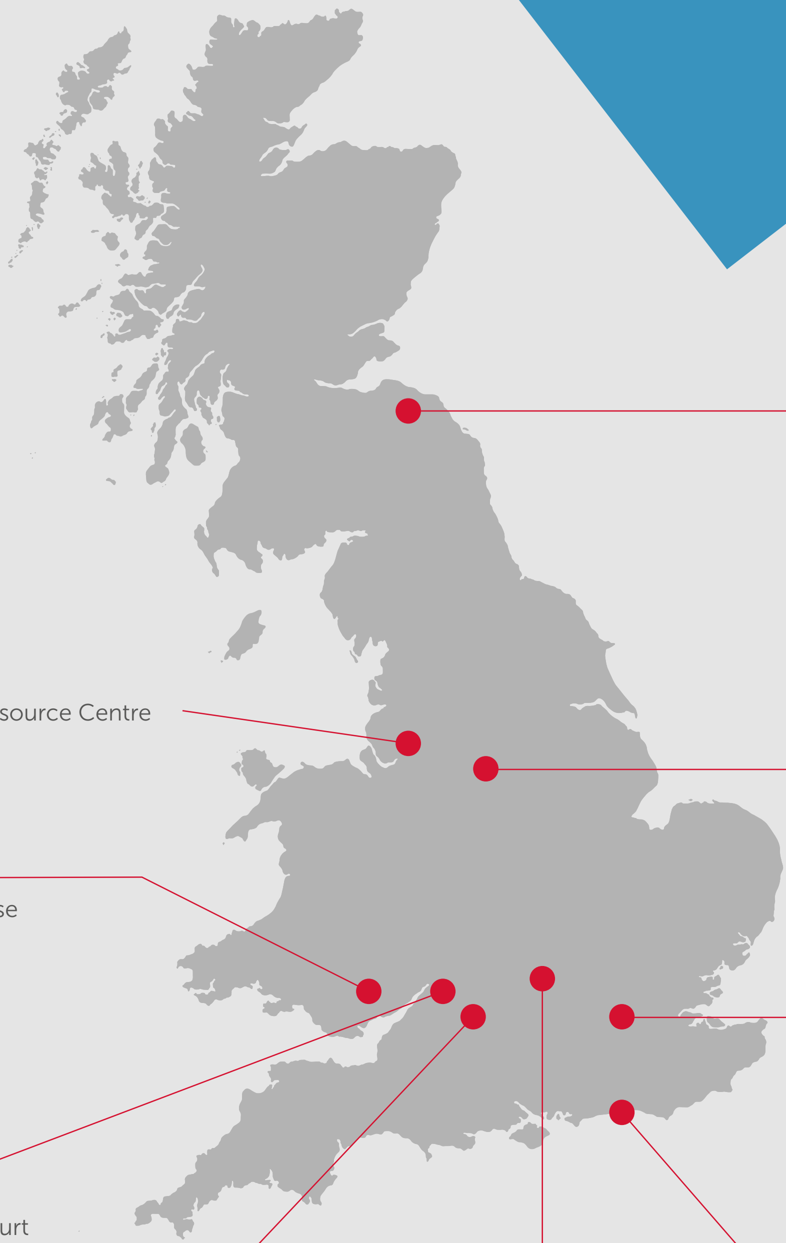
Welcome

The Ethical Property Company owns and manages 22 centres across the UK, proving workspace to social change organisations.



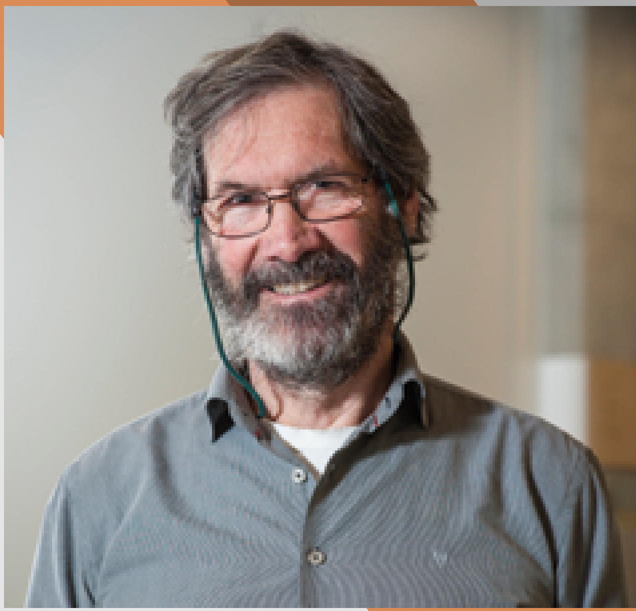
CHAIR'S STATEMENT

Welcome to our 2017-18 Annual Report. It has been a year of transition for us as a company. At our AGM in June 2018, the leadership of the Company changed substantially. The focus of this was to ensure that the social mission of the Company, our Quintessentials, was protected and the uniqueness of our organisation, including our triple bottom line of people, planet and profit would continue.

A new Board was elected in June 2018 and, with a mix of old and new faces, we are working well together. One of our first roles was to improve diversity within the Board and we are currently in the process of recruiting new non-executive members who will be standing for election at our AGM. I would like to record our thanks to the previous Board members: John Whitaker, Lisa Tennant and Tim Farazmand.

I also wish to express my thanks and gratitude to Susan Ralphs, who led the Company as Managing Director for many years and stood down last year. We appointed Conrad Peberdy as our interim Managing Director in July. After an external recruitment process, I am happy to report that we have invited Conrad to step up to become permanent from January 2019. Conrad brings over 14 years' experience of the Company; firstly as a tenant for 5 years and then as part of the senior management team for 9 years, as Director of Development.

The change of direction of the Company backed by shareholders at our last AGM has cost the Company momentum as well as key personnel. The plan had been to take on significant investment from one source, along with the attendant risk and loss of independence. Since then, the Board has been working to deliver on the shareholder decision that we should follow a different direction, as a company independent of any one major shareholder and holding true to our values. I would like to thank shareholders who had the determination to back this vision.



Our international family of companies continues to be important to us. Discussions are underway with family members in Belgium, France and Australia to strengthen how we work together and on how best to safeguard our social mission. There are also new members in the US, Germany and Russia interested to join us.

In the year ahead, we face several challenges. The Green House, a major development project in Bethnal Green, London, is financed from the proceeds of our highly profitable sale of Development House in Shoreditch. Renovation of this property to a high environmental standard was completed in late 2018. The new space will take time to fill. This means that our profit will be reduced in 2018-19. However, once filled, our income will increase substantially.

Looking forward, the UK faces many social, environmental and economic challenges. These are not helped by the current political and economic uncertainties surrounding Brexit, which are likely to impact on property values, tenants, the cost of services and materials, and access to labour. These are issues we are closely monitoring and, whilst many of these factors are out of our control, we are determined to ensure we continue to offer good value to all our stakeholders.

Going forward, our key focus will be on the impact we can create to mitigate climate change, challenge inequality and encourage diversity and inclusion. The Company will measure its success on how much of a contribution it can make to tackling crucial issues such as these.

An important issue for the Board is to increase our financial value to investors: whilst we were pleased to approve a 3p dividend per share in November 2018, we aim to improve on that significantly in the years to come and at the AGM we will be proposing a dividend of 3.5p. We are also working with Ethex to create a more liquid market for our shares and improve the information available to buyers and sellers. This, together with regular annual share offers with accompanying buy backs starting in 2020, should contribute to raising our share price in relation to our underlying asset value.

As part of these regular share offers, we will regularly be setting out our ideas for the further development of the business. We will be encouraging as many new investors as possible to join us so that the Company can enjoy a large and diverse shareholder base and bring the benefits of Ethical Property investment to as many people as possible.

Sam Clarke

Sam Clarke, Chair, Ethical Property

MANAGING DIRECTOR'S UPDATE

For 20 years we have proven that workspace can deliver social impact, be committed to the environment and operate as a financially sustainable business.

Over the past 12 months we have continued to build upon these foundations with the opening of our largest and most ambitious project to date: The Green House, based in Bethnal Green, London, is a great example of our commitment and aspirations. The property was built using Cross Laminated Timber, which is estimated to result in a 50% carbon reduction compared to concrete. Now completed, it has achieved an Energy Performance Certificate rating of A, and a BREEAM Excellent rating is expected. We are now focused on filling the building with a range of inspirational organisations.

Over in Bristol, where the Company was first founded, we have completed the acquisition of Streamline, which will open in Spring 2019. We have also started work on some very exciting developments in East London, likely to come online in 2022.

This year we have supported over 1,050 charities, social enterprises, small businesses and other not-for-profits through the provision of office, conference, meeting, event, educational, studio and retail spaces. 89.4% of our tenants stated that being in an Ethical Property Centre had a positive or very positive impact in enabling them to fulfil their strategic objectives, a 5% increase on last year.

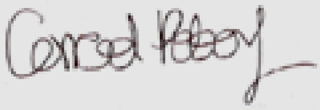
We have also focused on improving the environmental performance of our existing portfolio. All but one of our properties are using 100% green electricity and all those using gas are on a green gas tariff. We have also introduced a number of Green Investment Initiatives, including installing a new gas central heating system at Green Park Station and upgrading to LED lights in our Sheffield and Manchester centres. Our environmental investments have been rewarded by our lenders Lloyds Bank, who have given us a 0.2% interest reduction on account of our environmental performance. This is not an insignificant sum on a £25 million loan!

The full profit for the financial year was £1,245,634, adding 8 pence to the Company's net asset value per share. Profit before tax from ordinary activities for the year was £625,915. This is a 7% reduction from last year, predominantly as a result of us acquiring two new centres, the Streamline and The Green House, that are not yet fully operational. Once they are both completed and fully let this will increase both our scale and our profitability.

We are also serious about our promise to our staff to create an inclusive and supportive working environment. Over the year we have supported 78 employees in completing a total of 273 training courses. We are committed to rewarding our staff fairly, all of whom are paid at least the Living Wage. 60% of all employees and 62% of our managers are female, a significantly higher number than the national average. I am pleased that this approach is reflected by the fact that 93.9% of our team state that they enjoy working for the Company.

Whilst we have achieved a lot over the past 20 years, we recognise there is still much more we could be doing in terms of improving our performance and impact. Given the social, environmental and economic challenges that face society, the role that social businesses such as Ethical Property can play is more important than ever before.

Finally, I would like to thank you, our investors, as you are (alongside our tenants and staff) the driving force behind our success.



Conrad Peberdy, Managing Director

OUR PURPOSE

Ethical Property promotes a more just, equitable, inclusive and sustainable society through the provision of office and retail property and support services to organisations, communities and individuals who share our objectives. We believe in the demonstration and advocacy of our Triple Bottom Line model, which equally values our financial, social and environmental return; and the provision of an ethical investment vehicle for all investors.

Ethical Property is a worldwide exemplar for how property can be used in the best interests of society and that can be considered fairer for the planet, employees, users and investors. Our buildings offer excellent quality space and we provide an outstanding property management service. We aim to be the provider of choice for organisations working for a more just, equitable and sustainable society, and will inspire others so that the type of buildings we provide will be available to all.

Ethical Property's values

Equity and fairness - through provision of property we support organisations that are striving to create a more equal, just and inclusive society.

Sustainability - we support physical and social structures that lead to a sustainable lifestyle with a positive environmental impact that uses only our fair share of the planet's resources.

Responsibility - every decision we make will take account of financial, environmental and social impacts.

Collaboration and partnership - we believe that the world's problems are better solved by people working together rather than alone.

Learning - we implement a process of continual learning, with regular evaluations of our services and practices to ensure we constantly evolve the way we do business with the aim of ensuring best practice.

Ethical Property's Quintessentials

The Quintessentials are the five core principles of governance and management which apply to all property companies within the Ethical Property family. These principles give clear guidance for members of the Ethical Property family on how to operate their businesses in accordance with the vision, purpose and values of the family and define the measures that demonstrate ethical practice.

These five principles are:

1. **The Triple Bottom Line** - investment in Ethical Property offers investors a financial, social and environmental return.
2. **Ethical client criteria** - property and services are provided to organisations that meet the ethical criteria.
3. **Ethical management** - Ethical Property manages its business in a way that demonstrates its ethicality.
4. **Ethical governance** - Ethical Property maintains a high standard of governance, transparency and honesty in their business, and has governance procedures in place which safeguard its ethicality.
5. **Transparent reporting** - Ethical Property's social, environmental and financial performance is reported clearly, openly and honestly to stakeholders.

WORKING INTERNATIONALLY

One of the great strengths of The Ethical Property Company is that we have been highly successful in extending our social business model to other countries. Our sister companies in France, Belgium and Australia are collectively now almost as large as the UK company, owning 16 centres supporting some 365 social change organisations and with total shareholder assets of over £40 million. Ethical Property centres can now be found in Brussels, Antwerp, Namur, Paris, Lyon, Castres, Melbourne and Canberra as well as 9 cities across the UK. Interest in joining the Ethical Property family has also been expressed by companies running centres in Atlanta, USA, Moscow, Russia and Berlin, Germany.

We see our international presence as both a core strength and an exciting opportunity to expand our impact. We are planning to introduce an on-going programme of international work, designed around sharing our knowledge and experience, introducing staff exchanges, and strengthening our social business model and performance. Our next international gathering is scheduled for February 2019 in Brussels.

All family members operate in accordance with the Quintessentials, which need to be regularly reviewed and refreshed, so we will be looking at them together in February to decide how best to update them. Any changes will be brought to shareholders at our respective AGM's.

The Quintessentials also provide a safeguard of our social mission. The Directors of the UK company want to see this mission more strongly protected, and we are exploring the idea of setting up a not-for-profit organisation, governed by all Ethical Property family members, that can hold protection rights over the social mission of the family as a whole. We have chosen this route as we feel that our mission is best protected by all the family members working together, each accountable to their shareholders, rather than by an external party.

In the long term, we feel that a close working relationship between all family members will help us to raise investment capital. To this end we will be initiating discussions with some of our institutional shareholders on opportunities to establish an international fund for Ethical Property investment.

Ethical Property Foundation, UK

The Foundation offers independent advice and training to help charities and voluntary groups rent, buy, let or manage their property. We also work with landlords and to improve the social and environmental impact of commercial property through our ethical workplace accreditation.

In the last twelve months we have released our Charity Property Matters Survey 2018, with some very interesting results including that more charities than ever before (33%) stated they rent from a commercial landlord, 32% of charities have had trouble in finding funding for property costs while a further 26% anticipate this will be a challenge in the future.

30% of charities say property is a barrier to delivering their charitable objectives,

More than one third of charities (36%) believe that property poses a high or very high risk to their organisation

For more information on what we do and to read more about the survey please visit **www.ethicalproperty.org.uk**

ETHICAL PROPERTY FOUNDATION

ETIC – France

In 2017 ETIC opened 3 centres - HEVEA and HALLES MART in Lyon and LE CHATEAU in Nanterre, a suburb in the west of Paris. In 2018 the 18 employees have consolidated the property management processes and are developing new projects - WIKIVILLAGE in Paris, LA LOCO in Lille and LA COOP in Grenoble. ETIC has also launched a new activity: we advise social change organisations and local councils on how to create, finance and manage their own shared workspaces. This allows us to share our impact-positive approach to property with, and to strengthen the financial business model of, larger NGOs, social businesses and charities.

To fund our activities, we have raised €2 million of capital in ETIC and the same again in our subsidiaries along with €6m in loans, financing €10 million worth of projects. Since 2015, an annual share buy-back scheme has allowed about 20 shareholders out of 170 in all to sell their shares.

ETIC's turnover has reached over €2 million and although our share price has increased by 3 to 4% yearly since 2013, our net results are too thin to propose dividends as yet.

This is, however, a prudent picture - should we adopt another accounting standard such as IFRS, increases in our property values would increase our profitability significantly.

ETIC has also been involved in a number of state initiatives aimed at finding ways to increase the positive impact of co-working and shared work spaces, especially in the more deprived areas of France. We hope our work will help shape some of the legislation that is being voted on at the moment and so help build a more equal, fairer and more inclusive society.

Finally, ETIC was delighted to have welcomed the Managing Directors of all the existing and potential Ethical Property family members to Paris and Lyon last year for two days of sharing of best practice. ETIC believes it is key that we allocate resources to foster international cooperation and further protect our Quintessentials.

Bien éticalement,

Cécile Galoselva
Fondatrice et dirigeante

Ethical Property Europe – Belgium

It's been 10 years since we created Ethical Property Europe and acquired our first building, Mundo-b. These years have been rich in experiences and achievements. Thanks to the member organisations, our team, our shareholders and partners; together we have been able to create a network of innovative Mundos centres that welcome the Belgian and European non-profit and social sectors. Every day, nearly 700 people come to our centres to work, meet, train, have lunch and, above all, contribute to improving our society.

In Antwerp, we opened Mundo-a in 2018. This new construction in wood was technically complex but beautiful to see with its huge wooden beams. Both bioclimatic and passive, the building is not only exemplary in terms of sustainable construction but is also particularly pleasant, user-friendly and cosy. We were very happy to welcome the first tenants.

In Namur, Mundo-n experienced significant redevelopment works in order to adapt the upper floors to the demand: the trend goes for smaller organisations instead of large ones.

Finally, we recently acquired our fifth property, which is located in the centre of Brussels near Madou square. This comes in response to a growing demand which our two centres in Brussels were no longer able to meet. The acquisition was financed through an institutional share issue, in which our existing shareholders and new investors took part, but also for the first time through a crowdfunding campaign. This new centre will partly open in 2019.

Frédéric Ancion
Managing Director

ethical PROPERTY
INVESTING IN SOCIAL CHANGE

Ethical Property Australia

This year we have continued to strengthen the foundations of both the management company Ethical Property Australia and our associated commercial property fund.

We completed the process of appointing One Financial Management Limited (OFML) as the new Trustee to the Fund. Importantly, as part of the One Investment Group, OFML will support the growth of the Fund by enabling us to raise new investment more easily – initially from wholesale investors, but potentially in a broader retail offer in due course.

In February, we made a significant addition to the portfolio and exchanged contracts on our third property, 16-20 Thistlethwaite Street in South Melbourne. This property, now named “Spark Space”, will be the new home for Think HQ – a values-aligned marketing and communications agency and, once refurbishment is complete, it will provide up to 600 square metres of space for other social change organisations.

At Donkey Wheel House, our property in central Melbourne, we welcomed a new social impact partner, The Centre for Australian Progress. In setting up “Progress Central”, Ethical Property Australia is providing flexible workspace for campaigning and advocacy organisations. This underpins our mission of creating space for people to imagine a better future and to work out how to make it happen.

While the take up of flexible workspace at Progress Central has been strong, we did not see the same at Endeavour House in Canberra. There was insufficient demand for the “fly-in, fly-out” hot-desk space and we took the commercial decision to close this space in March. Subsequently, we have re-purposed it to create a larger office for The Australia Institute.

Returns to investors in the Fund increased again in 17-18, with distributions of 2.98 cents per unit, and capital growth of 7%. Ethical Property Australia’s profits also increased and are being re-invested to grow the company. We expect the Fund to continue to be the major avenue through which new projects are brought under the management of Ethical Property Australia, and a key plank of our strategy is to grow the annual returns paid by the Fund.

This strategy will include increasing our ambition and accelerating our growth; a refreshed “customer experience” within our buildings; significantly growing our pipeline of organisations, properties and investors; and a new Vision for Ethical Property in Australia.

Delivering the new strategy will require a larger team and we are putting in place the foundations for this growth. It is an exciting time, but not without growing pains, and we are continually grateful for the support of our shareholders, Board and staff as we continue the journey to creating more spaces that make a difference.

Peter Allen
Chief Executive

ethical PROPERTY AUSTRALIA

Construction of
The Green House

NEW CENTRES

The Green House

In 2018 we completed the renovation and build of our largest and most ambitious project to date on Cambridge Heath Road in Bethnal Green, London. This involved converting a derelict 1962 office block into a modern flexible workspace for up to 50 charities and social change organisations. It includes a range of offices and meeting spaces alongside generous communal facilities and community spaces. The Centre offers excellent transport links with easy access to a wide range of amenities. It was also designed with the environment in mind as we aspire for it to achieve a BREEAM Excellent rating.

The project was carried out in two phases, making 4,467m^2 of lettable space in total. The first was the transformation of the existing building and the second was the addition of a new building. The original concrete frame was refurbished with a new single storey rooftop extension and lift core, linking both the old and new buildings. The new build - containing offices, meeting space and a roof terrace - was formed using a Cross Laminated Timber (CLT) frame.

The welcoming foyer has real bark surrounding its reception area, in recognition of its timber structure. The building benefits from a flexible layout to offer workspace to different sized organisations while the stunning atrium, with its raw timber, offers a light-filled space to network. The building is topped off with a roof top garden and some of the most wonderful views of London's skyline.

In the summer of 2018, the first phase was completed and tenants from our previous centre, Development House, became the first to enjoy all the building has to offer. Tenants were provided with comprehensive support packages and Ethical Property staff worked intensely to make the transition as smooth as possible. Phase two opened at the end of 2018.

This was a major project for Ethical Property and will, over the coming years, enable us to improve our environmental performance, support many more exciting organisations and significantly improve our financial performance.

Streamline

2019 will see the opening of our latest centre in Bristol, a city in which we opened our first centre 21 years ago. This is a new build with 1,325m^2 of lettable space over 4 floors located at the Paintworks: a dynamic development near the heart of Bristol that has proven very popular and is seen as a destination for small enterprises, creatives and charities within Bristol. It has good transport links as it is adjacent to a main bus route and is just a 12 minute walk from Temple Meads train station. It also has great connections to Bristol's cycle paths, including picturesque routes along the river Avon.

Proposed CGIs of Streamline

SOCIAL PERFORMANCE

Our business model is shaped directly by our values – these determine who we work with, what services we offer, where we locate our buildings and how we treat staff and other stakeholders. We seek to have a positive impact on society through:

- **Our tenants and clients:** we work primarily with organisations that are striving to create a more equal society or to protect the environment
- **Our properties:** we are committed to managing our centres on a triple bottom line basis
- **Our services:** we provide physical space and services designed to support organisations in their work and to offer opportunities to share resources and ideas
- **Our locations**: most of our buildings are sited in areas of social deprivation
- **Our employment practices**: we aim to create a positive working environment for all our employees, to reward their work fairly and to ensure equality of opportunity
- **Our openness and transparency:** we strive to be honest, open and transparent with all stakeholders.

The following pages highlight the aspects of our social performance which we believe are the most significant. The Company has set itself targets for tenant satisfaction and environmental performance and it reports against these in the supplement which is available on our website.

Our Centres and Tenants

As of September 2018, 283 organisations and individuals were occupying space in our centres, a reduction of 43 from the previous year. This was down to a combination of slightly higher voids, moving out of Development House and tenants increasing the amount of space they occupy.

In 2017-18, 49.5% of our tenants were charities or other non-profit-making organisations. The others were businesses working in the social sector, such as consultancies and service providers, or small, independent local businesses.

Our Properties

Core to our performance is how we manage our centres. These include both buildings we own and those we manage that are owned by like-minded landlords committed to using their assets to deliver a Triple Bottom Line.

Highlights

Our occupancy levels averaged 93.2% over the last 12 months and our Tenants survey, for the second year running, delivered the highest level of responses so far and, once again, demonstrated an increase in engagement.

Our two largest managed centres, The Foundry and Resource for London, both achieved their best financial performance to date. This was boosted by record conference activity and an increased focus on improving synergy – helping with bringing like-minded organisations together, raising awareness, engaging with local communities and fund raising.

Our team in Bristol, for the second year running, picked up the Gold Award for Best Fairtrade Office. When accepting the award David Fells, our Bristol Centre Manager, explained why the Company's commitment to Fairtrade is so important:

"Supporting Fairtrade has a great effect not just on the people receiving the better prices but also on their families and communities. The Fairtrade Foundation helps educate farmers in responsible farming and so buying Fairtrade also benefits the environment".

COMMUNITY, SYNERGY AND SERVICES

Our centres are more than just a place for people to work; they are community hubs and places in which working lives are enriched by being in an environment with like-minded organisations. The social impact of our centres is something we are very proud of. Two examples of how property can create social impact are St Pauls Learning Centre and The Foundry.

St Pauls Learning Centre, Bristol

Based within one of the most economically deprived and culturally diverse neighbourhoods in South West England, St Pauls Learning Centre was originally built by the local authority in order to improve access to training and education. However, due to Government cuts it was under threat of closure. Following a tender process, Ethical Property took over its management in 2015 and, over the past 3 years, the local team has worked tirelessly to increase its social impact and make it economically sustainable.

The Centre continues to offer residents the chance to improve and learn new skills, as well as being home to many exciting organisations. Activity in the building continues to increase. All offices are fully occupied and training rooms are regularly used by office tenants and local organisations. The Library continues to attract visitors from the local community, as does a revitalised Café and crèche facility.

This year the Centre also hosted St Pauls Carnival, which originally started in 1968 but sadly fell dormant for several years. With 2018 marking the 50th anniversary, it was of great importance to the community to resurrect this event. St Pauls Learning Centre quickly became the heart of the project, building a relationship with the newly-formed Carnival Community Interest Company (CIC), supporting the preparations and planning. Over the 24 hours of the day itself, the Centre became the focus and HQ of the Carnival, supported throughout by our team.

The team have worked really hard to give the local community a place to be proud of and it's pleasing to see that recognised in the project being shortlisted for the 'Outstanding Contribution to the Community' award at the South West Business and Community Awards.

Bringing social change organisations together into one workspace creates fantastic networking opportunities. Here are a few examples:

The Foundry, London

Nelson Mandela Centenary Birthday

To mark the centenary of the birth of Nelson Mandela, The Foundry team contacted NM Children's Fund (UK) and invited them to pair up with our tenant Canon Collins Trust to do a talk in the building.

Canon Collins Trust

"If you hadn't arranged for us to both be involved, we wouldn't have had this networking opportunity with them. A few other Foundry members approached me afterwards saying they now knew and understood better what we do as an organisation. By working in The Foundry, we have easy access to raise our profile amongst other NGOs. We shared the event on social media, which received a positive response, so this added to our social media content and profile online too. A couple of Foundry tenants started following our social media after the event, and sharing our posts"

Collection Point for The Red Box Project

The Foundry and Prisoners' Education Trust set up a collection point in Reception for the Red Box Project for schools in South East London

PET

"Our girls are not having to decide between buying lunch and sanitary protection. They feel loved and supported - fantastic effort from everyone at @aplaceforchange"

Bring your own cup

As part of our plastics reduction programme, we launched the 'Bring your own cup' discount scheme in January 2018. As a result, we have saved the use of 2057 disposable cups this year.

Month	Qty	% of total
Jan	24	1%
Feb	122	6%
Mar	197	10%
Apr	246	12%
May	227	11%
Jun	256	12%
Jul	204	10%
Aug	196	10%
Sep	251	12%
Nov	19	1%
Grand Total	2057	

Collection Point for Wrap Up London

The Foundry & Prisoners' Education Trust have set up a collection point for tenants' old, unwanted coats and are giving them to charities.

PET

"Thank you to each and every one of you who donated coats to the Wrap Up London collection last week. With thanks to The Foundry team for co-ordinating the collection efforts, you have donated 65 coats for the campaign. That means 65 people will be a little bit warmer in London this winter, and perhaps have one less thing to worry about. Thank you a million times over"

Who picked my tea?

The event was part of Traidcraft Exchange's campaign which highlights the appalling conditions on tea estates in Assam, India.

Traidcraft

"Around 20 people came to the event and learnt about conditions on the tea estates in Assam. Among them, 13 wrote a postcard asking the big tea brands 'who picked my tea?' and 17 signed up to our email list. The people who sent postcards to the brands will have showed their concerns about the poor conditions and wages on the tea estates and contributed towards getting the big tea brands to publish where they buy their tea from. The people who signed up to our emails will keep hearing about the campaign and ways they can take action for fairer trade. Organising this event in The Foundry enabled us to reach out to people who care about social justice issues and who otherwise wouldn't have heard about the campaign. It also provided us with a free space to host the event and channels to advertise it"

Waste awareness

To celebrate Zero Waste Week 2018, The Foundry held a Kitchen Recycling Competition with all tenants invited to participate. The aim was to not only reduce waste, but to raise awareness about sustainable living. The Foundry also donated left over food from catered events via The Food Revolution app called OLIO which allows surplus food to be shared with the community.

OUR SERVICES

Our vision has always been to offer distinctive and tailored services, which are beneficial for the not-for-profit and social change sectors; premises that are appropriate for their needs, affordable, flexible, well-managed and providing an environment where tenants benefit from working alongside like-minded organisations. Collectively we believe this enables tenants to better fulfil their aims.

Our annual tenants, survey showed an average satisfaction rating of 3.9 (on a scale of 1 to 5, with 1 being very dissatisfied and 5 being very satisfied). This is higher than last year's average score of 3.7. The number of tenants completing the survey was significantly higher than in recent years.

Several of our properties showed significant improvements in satisfaction, some saw declines. We will take further steps to improve tenant satisfaction in the coming year, tackling issues arising from the survey on a property by property basis. Generally, the IT services offered to tenants scored poorly – we have already begun a review of how these can be improved with a view to substantially upgrading them in the coming year.

Range of offices available

We seek to offer a wide range of office sizes, which are appropriate for the sectors we want to support.

38 tenants moved in over the last year and 81 organisations moved out. 23 existing tenants moved within centres, with 18 increasing and 5 decreasing their space. Tenants moving in or moving within our properties were pleased with our support during these moves. We are continuing to respond well to the changing needs of the sector, as reflected by our low level of voids.

Building improvements

We continue to improve the working environment for our tenants and to ensure that the communal facilities are of a professional standard. Centres in which tenants have benefited from redecoration or more substantial refurbishments last year included Thorn House, Colston Street, Hastings House, Green Park Station South Vaults, Brighton Eco Centre and Resource for London.

Networking and resource-sharing

Opportunities to work alongside like-minded organisations are one of our most distinctive offers which tenants consistently rate highly in our tenant survey. Interaction can occur informally through meetings in the communal spaces through to formal collaborative events supported by the resources on-site. Tenants are also encouraged in many of our buildings to meet at social events or through communal initiatives, such as gardening, recycling or travel to work initiatives.

Across our centres, communal activities include:

- gardening clubs
- cycling groups
- yoga sessions
- a free counselling service for tenants (at two of our properties)
- charity cake bakes
- Summer BBQs
- Christmas parties
- table tennis sessions
- lunchtime singing sessions
- foodbank collections and mindfulness sessions.

We continue to communicate digitally, to enable tenants to take advantage of being part of the Ethical Property network in the most efficient way possible. The Tenant Resources section of our website, which we launched in late 2012, provides tenants and staff with easy access to an electronic noticeboard, meeting room booking system and centre email lists.

We use social media and, in particular, our Twitter account @ethicalproperty both to raise our own profile and to publicise the activities of the organisations in our centres. We also produce a digital newsletter.

Our locations

Many of our centres are located in areas of significant social deprivation – 12 of 19 properties fall within the 30% of most deprived local areas in the country, according to the Government's Index of Multiple Deprivation. All of the properties are in local areas classified as being among the 50% most deprived. We believe that having a lively, well-maintained building in such areas contributes to the local economy and the quality of the environment for the people who live and work there. More information on the Index is provided in the supplement.

Our new property, The Green House, which opened this year, is located in a local area classified as being within the 20% most deprived in England. We are already beginning to see the impact that this large, new Centre is having on the local community and economy.

ACTION AND FOLLOW UP FROM 2017 TENANT SURVEY

Last year we extended the planning and review of actions in response to the 2017 Tenant survey results across all our centres. Here are the highlights of what we achieved in 2018.

Areas of concern	Action taken in 2018	Centre
Security	Keypad, entrance lighting and out of hours security improved	Scotia Works
	Security fobs issued to replace outdated code system	Brunswick Court
Signage	Updated signage and surroundings	Brighton Junction
	Tenant location signage	St Pauls Learning Centre
	Location signage at the local station	The Foundry
Washrooms and Toilets	Refurbished	Brighton Eco Centre
	First floor refurbished	Green Fish
	Third floor refurbished	Thorn House
	First floor refurbished	The Grayston Centre
	First floor refurbished	Durham Road
	Refurbished	Brighton Open Market
	Ground floor – comprehensive refurbishment	Resource for London
Heating	Gas central heating system replacing less environmentally-friendly electric night storage system	South Vaults Green Park Station
Kitchen Facilities	Refurbished	Brighton Eco Centre
	Improved tea-points and supplies	The Foundry
	New communal kitchen	Resource for London
Cleaning	Improved arrangements implemented	Green Park Station
	Improved arrangements implemented	Brighton Open Market Workshops
	Improved arrangements implemented	The Foundry

Café	Improved menu	The Foundry
	New catering company	Resource for London
Meeting Rooms	Major refurbishment	Brighton Eco Centre
	Refurbishment including break-out space	The Grayston Centre
	Introduction of meeting pods	Thorn House
Internet Speed	New line installed to improve performance	The Grayston Centre
	New line installed to improve performance	Brunswick Court
WiFi provision	Extended to provide full coverage	St Pauls Learning Centre
Communal space – indoor	Redecorated foyer and circulation corridors	Brighton Junction
	Used graffiti wall as a feature in St Pauls Carnival Project	St Pauls Learning Centre
	Redecoration	Resource for London
Communal space – outdoor	Car park repainted	Brunswick Court
	New meadow lawn to support biodiversity	Brunswick Court
	Rear entrance improvements	Resource for London
Bike Racks and Bike Security	Bike shelter with living roof	Brunswick Court
	A new bike rack was installed	Resource for London
Communal Printer and Copier Service	New photocopier installed providing greater print quality	Thorn House
	New copier installed with greater functionality	Brighton Eco Centre
	New copier installed for speed and efficiency	Resource for London
Recycling	New food waste collection	Brunswick Court

OUR EMPLOYMENT PRACTICES

Our key aims as an ethical employer are to:

- create a positive working environment
- pay salaries which are fair and appropriate
- promote equality of opportunity.

Our annual staff survey showed high levels of enthusiasm amongst staff for working for the Company and a pleasing degree of shared values. 93.9% of respondents said that they enjoyed working for the Company and 100% felt they shared the Company's values in whole or in part.

In January 2013 we were accredited as a Living Wage employer and we remain so. We continue to maintain our exceptionally low pay ratio between the highest and lowest paid member of staff of 4.9:1.

Staff Survey

	2018	2017
% enjoying working for the Company	93.9%	94.4%
% sharing the Company's values – wholly/somewhat	100%	98.5%
% feeling involved with the Company	93%	92.7%
% who would recommend working for the Company to a friend	88.1%	82.4%

Staff Survey responses 2018

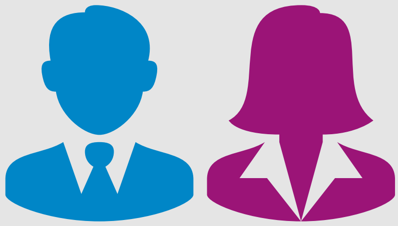
	2018	2017
Staff retention	81.5%	83.2%

Staff daily commute to work

Method of transportation		%
Walking		36%
Bicycle (including electrically-assisted pedal bikes)		40%
Public transport (train/bus/tube/tram)		43%
Fuel based vehicle - individual user		15%
Fuel based vehicle - shared users		15%

The results from the Staff Survey about their daily commute to work show a shared commitment to the environment and pursuing a sustainable lifestyle.

Gender pay gap



The difference between average hourly earnings of men and women **6.11%**

This shows that women earn 6.11% more than men at Ethical Property

Ethical Property voluntarily choose to carry out Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

This process shows the difference between the average earnings of men and women in our organisation, regardless of the work they perform.

Our figures for this year demonstrate that typically or overall, male employees have lower pay than female employees.

Although we have 54% of women overall in the organisation, women represent 62% of our most senior roles which explains the figures for this year.

Our aim is to use these results to continue to...

- Improve levels of gender equality in our workplace
- Improve the balance of male and female employees at different levels
- Improve how effectively talent is being maximised and rewarded.

ENVIRONMENTAL PERFORMANCE

We aim to deliver an environmental return through the purchase, refurbishment and management of property. It is our aim to own buildings which are:

- well-located
- refurbished to minimise energy and water use
- managed in ways which use resources as efficiently as possible.
- Encourage positive environmental behaviour

The following page highlights the elements of our environmental performance which we believe are the most significant.

Our energy usage

Ethical Property puts considerable effort into measuring and monitoring the energy and water use in our centres, while reducing usage and carbon emissions through the improvement of building fabric and services, better building management, the use of renewable energy and by educating building users.

In the last year, overall energy use across our properties decreased by 0.1% and the total associated carbon dioxide emissions decreased by 0.9%, as below.

Key energy use data 2018[2]		Change from previous year
Total energy use	4,105,564 kWh	-0.1%
Average energy use	144.3kWh/m^2	-0.6%
Total CO_2 emissions	933,249 kgCO_2	-0.9%
Average CO_2 emissions[3]	38.5 kgCO_2/m^2	-0.9%

The decrease in CO_2 emissions is proportionately larger than the decrease in energy use. This is because the CO_2 emissions associated with grid mix electricity have fallen, since electricity generation from coal has declined significantly within this mix, being replaced by other fuels with less emissions. The use of gas to heat our buildings and water within them has risen by over 7.9%, which has offset what would have been a larger impact of the reducing CO_2 associated with grid mix electricity.

We are not satisfied with these figures: in the coming months we will review performance across the portfolio and evaluate fitting energy-saving features in further properties.

Although, to date, the process of improvement of our centres has tended to reduce emissions, we are aware that there is a limit to what we can achieve with the buildings that we have, even with further investment. We therefore need to ensure that we continue to meet our targets, through environmental evaluation of potential acquisitions so that we acquire centres which can be energy efficient.

We have made significant progress in switching properties to 'green gas' supplies, and are delighted to be supporting these innovative suppliers with our business.

The impact of large properties

Within our portfolio, Development House was the largest building and environmentally our poorest-performing. It therefore had a highly negative impact on the Company's average energy use and associated emissions. During the year, we disposed of Development House. Its replacement, The Green House, aims to achieve a BREEAM Excellent rating for its sustainability and will have a high energy efficiency so we expect to see a significant reduction in our emissions in the coming year.

We can't do this on our own!

In order to improve our performance we also work extensively with our staff, tenants and building users to influence their behaviour. We are ensuring that we equip all property management teams with the understanding of how their buildings have been designed to work, and ensure they have the knowledge to manage them with maximum efficiency.

We also work collaboratively with experts in this field to ensure that our new projects are built with the environment in mind, such as with The Green House.

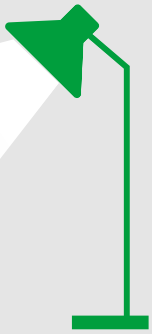
[2] Totals for energy and carbon dioxide include Green Park Station shops, but averages per square metre do not because of the inconsistent features of the supplies there.

[3] Based on the fuel mix in the National Grid for electricity – see supplement for more information.

Owned Centres

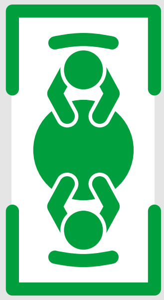
In our Owned Centres, environmental improvement highlights last year included:

LED lights were installed in Scotia Works, Sheffield



LED lamps were installed in Green Fish, Manchester as part of a wider reconfiguration of office space to successfully attract new organisations into the Centre

The Brighton Eco Centre refurbishment programme continues, including a new refurbished kitchen, meeting room, decoration and flooring



Innovative two-person, free-standing meeting pods were introduced on two floors of Thorn House, reducing bookings of larger meeting rooms and providing valuable quiet and confidential space in an open plan environment.

Managed Centres

Conferencing, meeting and event space continues to attract more and more organisations to The Foundry and Resource for London. Both London centres have staged a variety of synergy activities and events, many of which included engagement with the local community.

Our property management services for other building owners is now a well-established part of our business. Clients are chosen carefully, to ensure that we can continue to work within our established values.

For a more detailed analysis of our performance, please see our supplement document, available at **www.ethicalproperty.co.uk/investor-relations/annual-reports**

CASE STUDIES

GreenNet

The Green House (former tenants of Development House, London)

We are a not-for-profit collective providing internet services, web design and hosting to supporters of peace, the environment and human rights.

Formed in 1985, we are the UK's oldest Internet Service Provider as well as a non-hierarchical group of 8 friendly, knowledgeable & political geeks with links to activist networks worldwide and dedicated to Free Open Source Software and internet rights.

In the last year we launched a legal challenge against GCHQ alongside others that has been escalated to the European Court of Human Rights. Our Director also won the Oxford Internet Institute Award.

We've launched some brilliant websites for UNESCO, Peace Pledge Union, Public Law Project, European Network on Statelessness, Peace Brigades International, our friends at the APC and others.

We really enjoy the environment and atmosphere as Ethical Property tenants and appreciate the opportunities to network and share good practice.

www.greennet.org.uk

The Foundation for Social Improvement

The Grayston Centre, London

The Foundation for Social Improvement (FSI) is a small charity established in 2007, aiming to support other small charities across the UK to become more sustainable, effective and resilient. We provide training, conference and workshop programmes across the UK as well as online webinars, advice sessions, policy and research, and campaigns including the annual Small Charity Week. We currently have nearly 7,000 members accessing nearly £3m worth of services each year.

Last year we provided over 9,000 learning interventions for small charities and Small Charity Week 2018 was our biggest yet, with over 1,700 charities taking part.

June 2019 marks 10 years of Small Charity Week; we'll be hosting a series of events across the week including Big Advice Day, Fundraising Conference, Policy Day and Small Charity Big Impact Awards.

Access to meeting space in central London is crucial to the success of our training and helps us keep our costs down, allowing us to offer our training at heavily-subsidised prices.

www.thefsi.org

www.smallcharityweek.com

Sunsurfer Consultancy

Green Fish, Manchester

Sunsurfer Consultancy has been developing inclusion in society since 2004, through training organisations in Disability Awareness and Equality, Equality & Diversity, Deaf Awareness, Introduction to British Sign Language and Mental Health First Aid (accredited by MHFA England).

We have trained, by ourselves and with our partner HearFirst, hundreds of organisations and thousands of staff from public and private sector organisations across the UK. These include N-compass Advocacy, Signal Film & Media, Ethical Property Company, Community Arts North West and many others. We were also invited by a deaf organisation to manage a Deaf Youth work project in Halifax.

We benefit from working with like-minded organisations. I, Mickey Fellowes, am one of the longest standing tenants of the Green Fish, Manchester. Heike, the Green Fish property manager, is always supportive and has helped me many times over the years.

www.sunsurfer.co.uk

PHASE Worldwide

Brunswick Court, Bristol

As a small international development charity working in Nepal, PHASE Worldwide aims to empower isolated Himalayan communities through an integrated approach. With our partner organization PHASE Nepal, we provide skills and services to support communities constrained by a lack of access to healthcare, education and livelihood opportunities. Achieving self-empowerment in Nepal is at the heart of all PHASE Worldwide projects.

The greatest achievement of all, due to the progress made in the last 12 months, is that 45,000 vulnerable and marginalized people in Nepal have been supported in healthcare provision, education services and livelihood opportunities.

For over four years now, PHASE Worldwide have operated within a vibrant Ethical Property Centre in Bristol. The environment enables like-minded organizations to share ideas, share resources and make connections, all within a single working day.

www.phaseworldwide.org

Grace Eyre

The Open Market, Brighton

Grace Eyre is a vibrant charity supporting people with learning disabilities. We want to be led by people with learning disabilities and, through that, deliver high quality housing, support and activities in their local communities. Our Grace Eyre's Art Studio is a great example of a place where we can connect with the local community. We want to continue to promote the space as an inclusive environment with our ongoing retail training and customer service course, which gives hands-on work experience to participants. We also want to continue to provide exhibitions which promote artists with learning disabilities and offer external artists the opportunity to work alongside our artists to make new, fresh and diverse work.

We've really benefited from being in an Ethical Property building and working alongside other tenants. We've made some great contacts with other artists and studio holders in Brighton's Open Market and spread the news of the kind of work our charity does.

www.grace-eyre.org

sustain
the alliance for better food and farming

Sustain

The Green House (former tenants of Development House), London

Sustain is the UK's alliance for better food and farming, working with other charities large and small to improve the food we eat and the way it is produced, so that it is better for people and the planet. Last year was an extraordinary year for Sustain, responding rapidly to the evolving processes around Brexit, successfully getting amendments tabled to the UK Fisheries Bill and included in the UK Agriculture Bill; as well as coordinating public pressure on the emerging threats to food standards from trade deals; and the introduction of the Soft Drinks Industry Levy, which we coordinated the campaign for. This year is our 20th anniversary. Beyond our work on Brexit and sugar, we hope to scale up all of our campaigning, from community work through to tackling climate change.

Ethical Property synergy events, such as Development House's previous garden club, allowed different organisations to find out about each other's work and do something positive together.

www.sustainweb.org

Ecological Land Cooperative
For a living, working countryside

The Ecological Land Cooperative

The Eco Centre, Brighton

The Ecological Land Cooperative develops affordable, low impact smallholdings for ecological agriculture. The high costs of land and rural housing make it nearly impossible for new entrants to establish a farm business. By providing affordable and secure smallholdings, we are helping to address this crisis – contributing to a living, working countryside.

We have secured temporary planning permission at our second site, in Arlington, East Sussex, bought our third and fourth pieces of land to develop into smallholdings and we have secured planning permission at our Devon site.

Our aim is to secure temporary planning permission for our new sites in Gower and Somerset and to recruit smallholders for our second site in Sussex.

It is great to be in a space with other interesting and grassroots organisations working to make the world a better place.

www.ecologicalland.coop

Fuell

Green Park Station, Bath

With our exercise app Fuell, we aim to get people more active and achieving the NHS recommended guideline of 150 minutes of exercise per week.

Fuell works on your smartphone or your favourite wearable device and is full of fun exercise challenges that can be tailored to suit your organisation.

Studies show that when employees do at least 150 minutes of exercise per week, they have much better performance at work, take 30% fewer sick days, and have reduced stress levels.

Our client, Scottish Sea Farms, achieved the Platinum Investors in People Award and we're delighted that Fuell played a huge part in them achieving the award.

We aim to get more people using Fuell as we can see the positive effects on individuals and organisations.

We love being based at Ethical Property. Not only is the site centrally located, but mixing with many diverse and interesting businesses has allowed us to discuss and share ideas with other tenants.

www.Info@fuell.io

Excellent Development

The Foundry, London

UK charity Excellent Development supports some of the world's poorest people by helping them to transform their own lives through water and soil conservation in drylands. They work with local partners to support rural communities to build sand dams; reinforced concrete walls built across seasonal sandy riverbeds that capture and provide clean water for life, and (in turn) opportunity to develop livelihoods. In 2018, Excellent enabled the construction of its 1,000th sand dam (1,076 to date), providing clean water for life for over 1 million people. In 2019: Excellent plan to further enable the widespread building of sand dams; tune in to their BBC Radio 4 appeal on February 24th, or donate to their Big Give Christmas Challenge in November.

It is great to work in a building with like-minded charitable organisations, many of which are small and going through similar challenges.

https://www.excellentdevelopment.com

We Own It

The Old Music Hall, Oxford

We Own It is a campaign for public ownership of public services. Privatisation has been failing us all for over 30 years.

If you believe public services should be about people not profit, you're not alone. 76% think the railways should be in public ownership, 83% want water in public ownership, and 86% want our precious NHS to be in full public ownership.

Our biggest achievement last year was our conference - Public Ownership 2.0.

We brought hundreds of people together in London and asked experts, campaigners and politicians to join the conversation, including Shadow Chancellor John McDonnell.

We have really enjoyed working in the Ethical Property building. It's always useful to speak to other organisations in this building about the political story of the day, and swap ideas or responses! There are so many great organisations here that we're very lucky to be in touch with.

www.weownit.org.uk

Just Fair

The Grayson Centre, London

Just Fair works to realise a fairer and more just society in the UK by monitoring and advocating for economic and social rights such as housing, social security, health and food. Just Fair played a very active role in the UK mission of the UN Special Rapporteur on Extreme Poverty and Human Rights, Philip Alston, last November. We coordinated a joint submission on behalf of 15 organisations that focused on equality, social security and housing. We hosted two events in London with the Special Rapporteur: an open mic session with Community Links in Newham and an evening event at Doughty Street Chambers with the Human Rights Lawyers Association. Together with The Equality Trust, Just Fair is running the campaign #1forEquality to urge the government to bring the socio-economic duty to life (Section 1 of the Equality Act 2010).

We moved very recently to The Grayston Centre and we are very happy in our new home. We believe wholeheartedly in the values that underpin Ethical Property. We are looking forward to getting to know our neighbours better and to work with them for human rights and social justice in the UK.

http://justfair.org.uk/

Energise Africa
An Ethex Partnership

The Old Music Hall, Oxford

Energise Africa is a new initiative between two online leading impact investing platforms, Oxford based Ethex and Dutch based Lendahand. These two organisations have joined forces to provide UK based retail investors with investment opportunities which will significantly improve off grid energy access for families in sub-Saharan Africa.

In the last 12 months we raised more than £5 million from UK based investors, helping to connect them with pioneering solar businesses who urgently need low cost working capital to provide low income families with access to clean and affordable solar energy, which they can pay back via monthly payment plans. As a result of this investment we've been able to provide nearly 250,000 people across 10 sub-Saharan African countries with access to life-changing solar energy, reduce nearly 60,000 tonnes of CO2 emissions per year, and we've repaid almost £1 million back to investors.

Working in an Ethical Property centre has enabled us to look at joint fundraising bids to pull together behaviour change programmes to increase people's awareness in the UK about impact investing opportunities.

https://www.theguardian.com/energise-africa

Agile Collective

The Old Music Hall, Oxford

Agile Collective is a worker-owned digital agency that designs, builds and supports websites powered by open source software for socially conscious, purpose-driven organisations. We work with clients that value environmental sustainability, social responsibility, equality and human rights, and share our vision of a better world for everyone. Ethical Consumer have developed the world's most sophisticated rating system to help consumers make informed, ethical choices about their purchases. We implemented their design prototypes in Drupal 8 and engineered integration with their Subscriptions Management System and custom ratings database.

Unlike many of our non-profit clients we're not a campaigning organisation but, as a founder member of the UK's network of co-operative technologists (CoTech), we are active contributors to the growing awareness of the co-operative business model within the tech sector.

Being in the Old Music Hall has enabled us to collaborate with several organisations. We have also been able to use the meeting rooms to host worker co-operative events, bringing together local worker and community co-operatives to build solidarity within Oxford.

https://agile.coop

Climate Outreach

The Old Music Hall, Oxford

Climate Outreach was set up in 2004, with a mission to help people understand climate change in their own voice. We produce world-leading advice and practical tools for engagement by combining scientific research methods with years of hands-on experience. We will be continuing to build on our existing project areas, such as our Global Narratives Project, our centre-right work in various countries, and science communication more generally. In addition to that, we want to engage with new audiences, namely women and girls, as well as the centre-left as we believe that it is crucial to constructively engage them in climate change conversations.

Working in the Ethical Property building allows us to exchange experiences, ideas and thoughts with others who are working on important and challenging issues, just like us. We have also collaborated directly with several other tenants in the building.

https://climateoutreach.org/resources/climate-communications-in-practice-engaging-uk-public/

FINANCIAL PERFORMANCE

We are reporting a small reduction in profit from ordinary activities this year. This represents the first step towards the increased profitability that will be achieved once The Green House and Streamline are both completed and fully let.

Earnings before Interest and Taxation (EBIT)

We continue to report EBIT as the most appropriate measure of underlying operating performance as it gives a clear illustration of year-on-year trends, is unaffected by changes to interest costs and excludes any changes in property values.

Results for 2017 have been restated from £852,651 to £818,278 due to the inclusion of foreign currency translation movements in administrative expenses rather than after profit for the year. We have also aligned the division of costs between cost of sales and administrative expenses to be consistent with the current year.

EBIT of £765,496 for 2018 is £52,782 lower than for 2017 as restated. Even though results from our existing and ongoing operational portfolio have increased year-on-year, as shown by the higher Return on Book Cost, the short-term impact of the closure of Development House and the opening of The Green House led to reduced income.

Property values

This year, given their significant property experience and with the agreement of our auditors, the Directors carried out an internal valuation of the property portfolio, rather than appointing an external valuer. This is part of a new policy of only undertaking the full costs of external valuation every three years, or when a significant market change or other factors demand it. This process gave the Board of Directors a much better understanding of how the value of our properties should be interpreted and will also, we expect, lead to more consistent valuations in the long term.

The Directors' valuation was based closely on a valuation of the entire portfolio undertaken for Lloyds Bank in December 2017. The end result was an overall increase in the total value of the portfolio of £529,095.

Empty space

Empty space for the year averaged 6.8%. In reporting annual performance, we exclude properties in their first year of operation or in the course of disposal so both Development House and The Green House have been excluded.

Most of our properties continue to have very high levels of occupancy. However, although Hastings House in Cardiff has welcomed 5 new tenants this year, occupancy has not yet reached the targeted level. Excluding Hastings House, lost rent due to empty space was 4.5%, compared to 3.9% for the previous year.

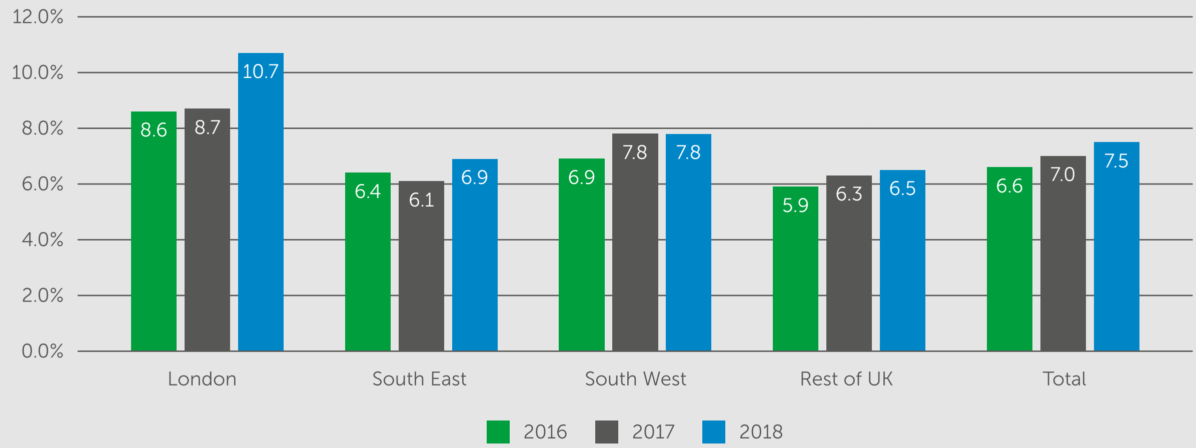
Financial Performance of our properties

This performance indicator looks at the net contribution from our centres, expressed as a percentage of their cost, after all direct operating costs, and before central overheads.

Returns for Green Park Station are not included in the figures, as this Centre was purchased on a 50-year lease with a small premium and therefore is not comparable.

Total return on book cost has increased from 7% in 2017 to 7.5% in 2018. Returns have increased year-on-year in all regions except for the South West, where the return stayed the same. In London, a combination of 100% occupancy and higher rents led to the increased return.

Return on book cost by region



SHARE PERFORMANCE

Shares in The Ethical Property Company are traded on the Ethex platform. Ethex has over 13,000 active investors and, since 2013, has raised over £65 million for a wide range of positive investments.

The Company's share price started the year at £1.01 and closed at £1.12, based on the average traded price each month. Across the year, just over 162,000 shares were bought and sold in a total of 48 trades.

At the end of the year, just over 91,000 shares were waiting to buy at prices ranging from 95p to £1.00, and just over 52,000 shares were waiting to be bought, at prices ranging from £1.15 to £1.25.

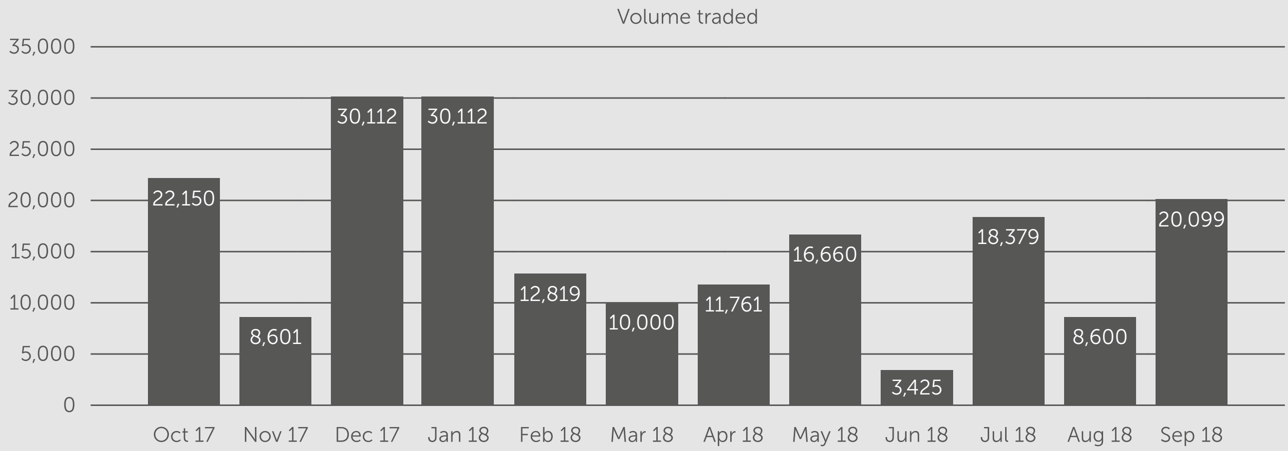
The Company's shares suffer from poor liquidity, with shares trading at a large discount to net asset value. Since the new Board's appointment in June 2018, we have been working hard to address this. We have kept a close eye on the Ethex marketplace and have introduced a number of improvements, such as monthly communications that go out to buyers and sellers to update them on market activity.

We have also written blogs for inclusion in the Ethex website and newsletter. This saw an increase in average monthly traded price per share from £0.93 in June to £1.12 by the year-end.

Looking forward, we see the level of our dividend as a key driver of both liquidity and share price. We expect the Company's profitability to increase as The Green House fills up, enabling us to pay out higher dividends. Starting in March 2020, we are also planning to undertake regular annual share offers, at prices closer to net asset value. Plans for capital raising will be announced and voted on at each AGM, with the share offer commencing immediately afterwards.

We plan for each share offer to include a buy back, in which existing shareholders will be able to sell their shares to those participating in the offer, at a small discount to the share offer price. This should then give shareholders an annual opportunity to sell their shares at more realistic prices.


Average price
£1.25
£1.00
£0.75
£0.50
£0.25
£0.00
£1.01
£1.03
£0.97
£0.97
£0.90
£1.00
£1.03
£0.97
£0.93
£1.06
£1.07
£1.12
Oct 17
Nov 17
Dec 17
Jan 18
Feb 18
Mar 18
Apr 18
May 18
Jun 18
Jul 18
Aug 18
Sep 18


Volume traded
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
22,150
8,601
30,112
30,112
12,819
10,000
11,761
16,660
3,425
18,379
8,600
20,099
Oct 17
Nov 17
Dec 17
Jan 18
Feb 18
Mar 18
Apr 18
May 18
Jun 18
Jul 18
Aug 18
Sep 18

SHAREHOLDINGS

As at 30th September 2018, the composition of shareholdings of ordinary shares in the Company was as follows:

Number of shares held	Number of shareholders	Total shares	% of all shareholders	% of all shares
500 or less	305	118,621	23%	1%
501 to 1,000	250	233,844	19%	2%
1,001 to 2,000	203	338,164	15%	2%
2,001 to 5,000	241	901,466	18%	6%
5,001 to 10,000	152	1,217,044	12%	8%
10,001 to 50,000	136	2,976,200	10%	20%
50,001 to 100,000	13	880,244	1%	6%
100,001 to 500,000	16	3,690,682	1%	25%
500,001 to 1,000,000	3	1,940,404	less than 1%	13%
1,000,001 to 5,000,000	2	2,614,039	less than 1%	18%
Total	1,321	14,910,708	100.00%	100.00%

Dividend Waiver - Making Waives

Our Dividend Waiver Fund is a critical part of our social return. Thanks to the generosity of our shareholders, who can choose to waive their annual dividends at any time, this fund continues to help a variety of worthy recipients each year; including tenants, start-up organisations and external projects. Of our last share dividend in November 2018 4.9% was waived by our shareholders, which provided £22,048 to the fund.

One element of the Dividend Waiver Fund is The Rent Hardship Fund, which supports tenants who are experiencing short-term funding problems.

It is a vital way for us to support small, more vulnerable organisations. In the 2017/2018 financial year, we offered support to 8 tenants who were experiencing a range of difficulties, which allowed them to continue to operate through periods of short-term financial hardship.

In order that we can support charities not housed in our buildings, we work in partnership with our sister organisation The Ethical Property Foundation, who offer independent advice and training to charities in managing their property to best effect. We are committed to supporting them further in 2019 allowing them to provide this vital service.

£42k

the amount the Company has contributed to these organisations over the last five years

26

organisations supported by the Dividend Waiver Fund over the last five years

OUR BOARD OF DIRECTORS

The Board comprises five Directors: Paul Bellack, Sam Clarke (Chair), Jamie Hartzell, David Loggia and Mark Luntley.

They are remunerated for their services as disclosed in the accounts.

Jamie Hartzell has also been engaged by the Board as a consultant on a temporary basis.

The new Board have met three times since being appointed in June 2018, and it has been agreed they will meet 6 times in the coming year in addition to the Annual General Meeting.

Our articles require that one third of the Directors retire by rotation at each AGM, but can be re-elected at the Annual General Meeting.

Paul Bellack

Paul first joined the Board in 1999 and after briefly stepping down was re-elected in June 2018. Paul spent 19 years with Sun Life of Canada as a Property Fund Manager, he founded and runs a commercial property investment company and has worked with social change groups, including the Big Issue and Out Of This World, on a variety of property matters.

Sam Clarke

Sam was previously chair of Ethical Property from 2000 to 2010 and was re-elected in June 2018. Sam has chaired several value-driven organisations, including Friends of the Earth, New Economics Foundation, The Climate Coalition and Low Carbon Hub. He is currently the chair of Charity Mentors.

Jamie Hartzell

Jamie is the founder of Ethical Property and was its first Managing Director. He was re-elected to the Board in June 2018. As one of the UK's leading social entrepreneurs he is an investor in a wide range of social businesses. He is chair of the leading Fairtrade chocolate company Divine, a director of the campaign group Positive Money and of the charity the Real Farming Trust. He is also the founder of Ethex, the not-for-profit crowdfunding platform for mission driven businesses and, until May 2018, sat on their Board.

David Loggia

David was elected to the Board in June 2018. He manages a family investment office which aims to use investment capital to achieve positive social change. He is active in the UK and Australia, and focused on property, education, health and renewable energy. David is also a director of Goodwill Wines Australia and 2X Ideas.

Mark Luntley

Mark qualified as a CIPFA accountant in 1982, after working at Director level within local government he developed and managed the project to create a bond agency allowing councils to raise infrastructure finance. He is a director of MECISE - the pan European fund to raise and invest capital for/in cooperative energy and sits on the board of Energy4All, Westmill Solar, Westmill Wind Farm Coop and REScop – the European federation of energy coops.

AUDITOR'S ASSURANCE STATEMENT

Scope and objectives

The Ethical Property Company Limited ('Ethical Property') commissioned Henriques & Co. Ltd ('the Auditor') to undertake independent assurance of its 2017/18 Social Report, within this Annual Report, ('the Report') together with the supplementary material available online. Henriques & Co. Ltd has no other relationships with Ethical Property that might compromise its independence. This is the ninth year that the Auditor has reviewed the Ethical Property Social Report. The assurance process was conducted in line with AA1000AS (2008) and designed to provide Type 2 moderate assurance. The Global Reporting Initiative (GRI) Quality of Information Principles were used as criteria for evaluating performance information.

Responsibilities of the Directors of The Ethical Property Company Limited and of Henriques & Co. Ltd

The Directors of Ethical Property have sole responsibility for the preparation of the Report. This statement represents the Auditor's independent opinion and is intended to inform all Ethical Property's stakeholders, including management. A balanced approach towards Ethical Property stakeholders was adopted. The Auditor was not involved in the preparation of the Report. A management letter was also produced. The work was performed by Adrian Henriques; see www.henriques.info for information on independence and competence.

Basis of our opinion

The Auditor's work was designed to gather evidence with the objective of providing assurance as defined in AA1000AS (2008). To prepare this statement, the Auditor reviewed the Report and supplementary information, visited Ethical Property sites and interviewed staff. Feedback was provided to Ethical Property on drafts of the Report and other material and, where necessary, changes were made.

We are satisfied that we have been allowed unhindered access to the financial and non-financial accounts, documentation and reports covering Ethical Property's activities and stakeholder engagements and to its managers and staff.

Findings & Opinion

On the basis of the work we have done, we believe the Report fairly represents Ethical Property's principal stakeholder relationships, impacts on its stakeholders and its responses to their concerns.

However, the Report does not cover the international activities. Also, while the report covers some key operational aspects of The Foundry, it does not cover other joint ventures of the Ethical Property Group.

Observations

Without affecting our assurance opinion, we also provide the following observations.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability

Ethical Property actively consults its key stakeholders, including tenants, staff and shareholders. It is notable that the survey response rate for tenants was significantly higher this year, which is encouraging. However, engagement from shareholders outside the AGM was limited.

It would be appropriate to review the stakeholder engagement approach and consultation techniques used, particularly for staff and tenants.

Material issues are those which are necessary for stakeholders to make informed judgments concerning Ethical Property and its impacts.

The Report deals with the main issues specified in the Quintessentials and likely to be of concern to stakeholders and the environment. The report needs more clearly to set out how it determines which issues are sufficiently material to be reported.

Ethical Property's operations mean that over time buildings are acquired or built, and subsequently disposed of or improved. The social and environmental impacts of these actions, in addition to that of its operations, should also be systematically reported in future.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues

Overall tenant satisfaction rose in the year reported. This is welcome, although it has still not reached the target level, possibly as a result of concern at IT service levels. Staff satisfaction remains high in many areas, but some disquiet is apparent in staff turnover, which has increased.

It is welcome to see the planned move to biogas throughout the property portfolio. Overall, however, environmental performance has remained broadly flat. Nevertheless, it still shows unexplained volatility over time. This should be explored in some detail.

While Ethical Property does set itself targets in key areas, these could be reported more clearly within the report and the supplementary information.

Henriques & Co. Ltd

Adrian Henriques, Social Auditor, Henriques & Co. Ltd - London, December 18

THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30th SEPTEMBER 2018

The Ethical Property Company Limited
Annual Report and Financial Statements
For the year ended 30 September 2018

Directors	P Bellack	(Resigned 6 October 2017 and reappointed 11 June 2018)
	S Clarke	(Appointed 11 June 2018)
	J Hartzell	(Appointed 11 June 2018)
	D Loggia	(Appointed 11 June 2018)
	M Luntley	
Secretary	P J Gardner	
Company number	02961327	
Registered office	The Old Music Hall Oxford 106-108 Cowley Road United Kingdom OX4 1JE	
Auditor	Kingston Smith LLP Devonshire House 60 Goswell Road London United Kingdom EC1M 7AD	
Bankers	Lloyds Bank plc 2nd Floor 125 Colmore Row Birmingham B3 3SF	

STRATEGIC REPORT

For the year ended 30 September 2018

The Directors present the Strategic Report for the year ended 30 September 2018.

Business Review

This has been a year of considerable change. At the AGM in June 2018 shareholders elected an almost entirely new Board with the aim of protecting the Company's social purpose and mission. At the same time, development of our new flagship building, The Green House, has proceeded apace, with the first tenants moving in during August 2018 and the whole building completed in November 2018

The completion of The Green House marks the beginning of the transition to having a new building that will provide double the space, increasing our offer to charities and social change organisations in London, and in turn increasing turnover and profit. The majority of tenants from Development House have moved to The Green House, however in the very short term this transition reduced income and accounts for most of the year-on-year reduction in EBIT.

Earnings before interest and taxation (EBIT) for the year was £765,496 (2017: £818,278), a reduction of 6%.

Most of our properties continue to have very high rates of occupancy. We were able to increase most rents by at least RPI, 4.1%, in April 2018.

In total, empty space (voids) averaged 6.8%. This is 2% higher than in 2017, mainly due to a large space at Hastings House in Cardiff becoming vacant (now partially filled), and short-term voids in Brighton and Manchester.

We have continued to capitalise interest against the cost of developing The Green House.

The final timetable for completion of The Green House led to the extension of the leaseback of Development House. We have reported the increased costs of sale as a loss on disposal of fixed assets.

Exceptional costs of £213,582 relate to the proposed equity raise that did not proceed and associated costs.

During the year we have invested a further £16.4m in The Green House. In March 2018 we completed the purchase of our latest building, the Streamline, part of the Paintworks development in Bristol. This building will be fitted out and become available to tenants in early 2019.

Directors have undertaken a valuation of the property portfolio this year with reference to the market and to alternative uses where applicable to individual properties. This can be considered a broader approach to the establishment of value than the previous focus on existing use.

In April 2018 we completed the refinancing and extension of loan facilities with Lloyds Bank, The new facility comprises a £10 million investment loan, a £15 million development loan for The Green House, and a £2 million revolving credit facility, giving us greater capacity going forward.

The repayment of the previous loans and drawdown of the new loans are shown in the Statement of Cash Flows.

During the year we received the £16 million of second stage receipts due from the sale of Development House.

Results and Dividends

The profit on ordinary activities before taxation, property disposals and exceptional items amounted to £625,915 (2017: £671,512)

Last year the Board recommended a dividend of 2.6 pence per share based on the 2017 results.
The delayed dividend from 2017 profit was approved by Directors as an interim, higher, dividend of 3 pence per share, and paid on 20th November 2018. Directors intend to increase dividends over the coming years.

The Company also uses an extensive range of non-financial indicators to measure its environmental and social performance. It sets targets for this and reports on them in its published annual report and supplement.

STRATEGIC REPORT (CONTINUED)

For the year ended 30 September 2018

Principal risks and uncertainties

The Company considers assessing and managing risk is a fundamental part of its business strategy and a core competency for its staff and Directors. With the oversight of the Audit 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.

The principal financial risks the Company faces are:

Risk	Mitigation
Reduction in value of property. The company is exposed to movements in property values against which our bank loan is secured.	Ensure we carry headroom against loan to value (LTV) covenants, monitor against the market, liaise with external valuers and report quarterly to Audit Committee.
Construction risks leading to cost overruns on new buildings.	Engagement of full professional and project management were put in place for The Green House build. The Board received monthly reports (weekly at particularly high risk times) on build. A similar process will take place for the Paintworks fit-out.
Letting risk for new buildings	Progress on letting is monitored regularly by the management team and reported to the Board. Additional resources have been deployed to strengthen the sales function.
Price, credit, liquidity, interest rate and cash flow.	The Company's principal financial and budget processes allow the Company to monitor these areas. The Company manages liquidity risks with regular cash flow projections provided to the board. An interest rate swap fixing interest rates for 75% of the term and development loans is in place to mitigate increases in the interest rate. Trade debtors are monitored regularly, and figures in the balance sheet are net of any provisions for doubtful debts. The Audit Committee oversees key financial measures on risk areas including occupancy level and levels of arrears.
Brexit and/or an economic slowdown affecting our ability to let buildings.	We monitor economic trends closely and stay in close contact with tenant groups. Brexit is has been made a key risk in the risk register. Our properties are located across the UK, reducing our exposure to the impact of a regional economic slowdown.

Looking ahead

The Company has a unique and attractive business model and the task for 2019 is to let the newly created office space in good time. Looking further ahead the recent changes in direction combined with a renewed focus on our Quintessentials means we are well placed to sustainably increase our profitability and social impact.

Approved by the Board on 28 January 2019 and signed on its behalf by:

S Clarke

Director

DIRECTORS' REPORT

For the year ended 30 September 2018

The Directors present their annual report and financial statements for the year ended 30 September 2018.

Principal activities

The principal activity of the company is 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.

Directors

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

P Bellack	(Resigned 6 October 2017 and reappointed 11 June 2018)
S Clarke	(Appointed 11 June 2018)
J Hartzell	(Appointed 11 June 2018)
D Loggia	(Appointed 11 June 2018)
M Luntley	
T B N Farazmand	(Resigned 11 June 2018)
S Ralphs	(Resigned 15 June 2018)
L Tennant	(Resigned 8 June 2018)
J Whitaker	(Resigned 12 June 2018)

Directors' interests

The Directors who served during the year and their beneficial interest in the Company are as follows:

Ordinary shares of 50p each

	2018	2017
P Bellack	69,960	50,000
S Clarke (Chair)	50,000	50,000
J Hartzell	28,000	-
D Loggia	844,356	813,900
M Luntley	5,112	2,112
T Farazmand	30,000	30,000
S Ralphs	24,562	24,562
L Tennant	6,500	6,500

Results and dividends

The results for the year are set out on page 51.

Auditor

In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditor of the company will be put at a General Meeting.

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

S Clarke
Director

Date: 28 January 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 30 September 2018

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of The Ethical Property Company Limited

Opinion

We have audited the financial statements of The Ethical Property Company Limited (the 'company') for the year ended 30 September 2018 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 a summary of 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 30 September 2018 and of its profit for the year 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of The Ethical Property Company Limited

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 year 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of The Ethical Property Company Limited

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.

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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

Kingston Smith LLP

Heather Powell
(Senior Statutory Auditor)
Date: 29 January 2019

for and on behalf of Kingston Smith LLP
Chartered Accountants
Statutory Auditor
Devonshire House
60 Goswell Road
London
United Kingdom
EC1M 7AD

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2018

	Notes	2018 £	2017 as restated £
Turnover		4,635,050	4,567,929
Cost of sales		(2,549,250)	(2,478,576)
Gross profit		2,085,800	2,089,353
Administrative expenses		(1,521,955)	(1,486,445)
Other operating income		34,568	57,651
Operating profit	3	598,413	660,559
Income from participating interests		163,331	128,953
Other interest receivable and similar income		3,752	28,766
Earnings before interest and tax		765,496	818,278
Interest payable and similar expenses		(139,581)	(146,766)
Profit on ordinary activities before exceptional items, taxation, fair value interest swap and investment movement		625,915	671,512
Exceptional costs	4	(213,582)	-
Loss on disposal of investment property		(225,399)	(459,477)
Movement on revaluation of investment properties	8	529,095	1,310,904
Movement on revaluation of investments	10	327,885	209,834
Movement in fair value of interest rate swap		(154,479)	-
Profit before taxation		889,435	1,732,773
Taxation	7	356,199	(140,795)
Profit for the financial year		1,245,634	1,591,978
Earnings per share (pence)	19	4.2	4.5
Earnings per share including valuation movements (pence)		8.4	10.7

BALANCE SHEET

As at 30 September 2018

	Notes	2018		2017 as restated	
		£	£	£	£
Fixed assets					
Tangible assets	9		57,828,926		37,875,440
Investments	10		6,218,461		5,973,010
			64,047,387		43,848,450
Current assets					
Debtors	13	1,381,272		17,155,726	
Cash at bank and in hand		2,269,934		357,328	
		3,651,206		17,513,054	
Creditors: amounts falling due within one year	14	(2,663,115)		(2,604,062)	
Net current assets			988,091		14,908,992
Total assets less current liabilities			65,035,478		58,757,442
Creditors: amounts falling due after more than one year	15		(19,842,879)		(14,770,650)
Provisions for liabilities	16		(85,580)		(125,407)
Net assets			45,107,019		43,861,385
Capital and reserves					
Called up share capital	18		7,455,354		7,455,354
Share premium account			2,864,895		2,864,895
Revaluation reserve			5,962,117		5,715,310
Capital redemption reserve			530,947		530,947
Other reserves			14,294		23,379
Profit and loss reserves			28,279,412		27,271,500
Total equity			45,107,019		43,861,385

The financial statements were approved by the board of Directors and authorised for issue on 28 January 2019 and are signed on its behalf by:

Sam Clarke

Director

Company Registration No. 02961327

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Dividend waiver reserve £	Profit and loss reserves £	Total £
As restated for the period ended 30 September 2017:								
Balance at 1 October 2016		7,455,354	2,864,895	4,668,534	530,947	21,933	26,927,677	**42,469,340**
Year ended 30 September 2017:								
Profit and total comprehensive income for the year		-	-	-	-	-	579,851	**579,851**
Prior year adjustments	26	-	-	-	-	-	1,012,127	**1,012,127**
Total comprehensive income for the year as restated		-	-	-	-		1,591,978	**1,591,978**
Dividends		-	-	-	-	-	(208,750)	**(208,750)**
Transfers as restated		-	-	1,046,776	-	-	(1,046,776)	**-**
Other movements		-	-	-	-	1,446	7,371	**8,817**
Balance at 30 September 2017 as restated		7,455,354	2,864,895	5,715,310	530,947	23,379	27,271,500	**43,861,385**
Year ended 30 September 2018:								
Profit and total comprehensive income for the year		-	-	-	-	-	1,245,634	**1,245,634**
Transfers		-	-	246,807	-	(9,085)	(237,722)	**-**
Balance at 30 September 2018		7,455,354	2,864,895	5,962,117	530,947	14,294	28,279,412	**45,107,019**

STATEMENT OF CASH FLOWS

For the year ended 30 September 2018

	Notes	2018		2017	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	25		**340,361**		102,254
Interest paid			**(139,581)**		(146,766)
Income Taxes refunded			**984**		-
Net cash inflow/(outflow) from operating activities			**201,764**		(44,512)
Investing activities					
Purchase of tangible fixed assets		**(19,470,039)**		(3,779,932)	
Proceeds on disposal of investment properties		**16,000,000**		100,000	
Expenditure relating to sale of tangible assets		**(224,469)**		(559,477)	
Payment of tax from sale of tangible assets		**-**		(2,314,946)	
Acquisition of investments in associates and joint ventures		**-**		(500)	
Share buy back from investments in associates and joint ventures		**107,592**		8,788	
Interest received		**3,752**		28,766	
Dividends received		**163,331**		128,953	
Net cash used in investing activities			**(3,419,833)**		(6,388,348)
Financing activities					
Proceeds from borrowings		**20,000,000**		6,495,000	
Repayment of borrowings		**(14,663,259)**		-	
Refinancing Fees		**(339,352)**		-	
Interest rolled up on loans		**133,286**		-	
Dividends paid		**-**		(342,917)	
Net cash generated from financing activities			**5,130,675**		6,152,083
Net increase/(decrease) in cash and cash equivalents			**1,912,606**		(280,777)
Cash and cash equivalents at beginning of year			**357,328**		638,105
Cash and cash equivalents at end of year			**2,269,934**		357,328

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2018

1 Accounting policies

Company information

The Ethical Property Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Old Music Hall, Oxford, United Kingdom, OX4 1JE.

1.1 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 pound.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.2 Turnover

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

1.3 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

1 Accounting policies

1.4 Investment properties

Investment properties are stated at market value, with independent valuations taking place at least every three years.

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, is expected to be permanent. If permanent it is recognised in the statement of comprehensive income as amounts written off investment properties. When considering whether a fall in value is permanent or not, the Directors will consider the likely change in value over the subsequent five years.

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.

1.5 Investments, associated companies and joint ventures

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.

1.6 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.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

1 Accounting policies

1.8 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.

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 though 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.

1.9 Share Capital

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.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

1 Accounting policies

1.11 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.

1.12 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.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

1.14 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.

1.15 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.

1.16 Grant aided renovation

The cost of qualifying investment properties enhanced with the benefit of Government Grant Aid is stated at purchase price less grants receivable, upon confirmation of successful application. The company fully intends to comply with the conditions of each grant, thus negating any requirement to provide potential repayment of the grant or interest. When such properties are revalued, then the revalued amount is shown in the financial statements.

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, 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 the 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 estimation uncertainty used in the valuation, include the value of future rental income, the outcome of rent reviews and the rate and length of voids.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

3 Operating profit

Operating profit for the year is stated after charging/(crediting):	2018 £	2017 £
Exchange (gains)/losses	(30,446)	34,649
Depreciation of owned tangible fixed assets	44,718	38,307
Auditor's remuneration - the audit of the company's annual accounts	12,000	7,300
Payments to auditors for other services	6,658	4,750

4 Exceptional costs

	2018 £	2017 £
Exceptional costs	213,582	-

The exceptional costs comprise of costs incurred during the year in relation to the raising of finance that was ultimately aborted. These include legal fees, abortive transaction fees as well as staff, Board and AGM costs arising from this project and its consequences.

5 Employees

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

	2018 Number	2017 Number
Administration staff	63	60
Management staff	39	38
	102	98

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,027,959	1,913,456
Social security costs	176,879	166,649
Pension costs	112,586	100,578
	2,317,424	2,180,683

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	87,428	62,969
Company pension contributions to defined contribution schemes	6,120	4,408
	93,548	67,377

During the year retirement benefits in respect of a money purchase scheme were accruing to 1 (2017:1) Director.

In addition, the year fees of £26,038 (2017 £25,421) were paid to Non-Executive Directors. Key management compensation during the year totalled £361,175 (2017 £321,520). Key management includes the executive director and the senior managers.

7 Taxation

	2018 £	As restated 2017 £
Current tax		
UK corporation tax on profits for the current period	-	15,388
Adjustments in respect of prior periods	(16,372)	-
Total current tax	(16,372)	15,388
Deferred tax		
Deferred tax provision on unrealised gain on investment properties	(39,827)	125,407
Tax losses forecast to be offset against future profits within five years	(300,000)	-
Total deferred tax	(339,827)	125,407
Total tax (credit)/charge	(356,199)	140,795

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

7 Taxation	2018 £	2017 £
Profit before taxation	**889,435**	1,732,773
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	**168,993**	337,891
Tax effect of expenses that are not deductible in determining taxable profit	**60,779**	37,993
Tax effect of income not taxable in determining taxable profit	**(185,798)**	-
Adjustments in respect of prior years	**(16,372)**	-
Other temporary timing differences	**(291)**	-
Dividend income and revenue in capital	**(31,033)**	(25,146)
Capital allowances for the year	**(241,467)**	(45,472)
Effect of capital gain/ (loss)	**-**	(164,471)
Losses not recognised in deferred tax	**(111,010)**	-
Taxation (credit)/charge for the year	**(356,199)**	140,795

8 Net unrealised gains on investment properties

This year there was a write back of £650,000 (2017: £348,555) on a permanent diminution written off in previous years on investment properties.

	2018 £	As restated 2017 £
In respect of: Write back of permanent diminution in value of investment property written off in previous years	**650,000**	348,588
Net revaluation, other investment properties	**(120,905)**	166,649
	529,095	1,310,934

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

9 Tangible fixed assets

	Investment properties in the course of development £	Investment properties £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 October 2017	19,155,082	18,609,523	171,998	546,351	**38,482,954**
Additions	19,213,720	31,438	59,038	165,843	**19,470,039**
Disposals	-	-	-	(2,073)	**(2,073)**
Revaluation	(3,664,945)	4,194,040	-	-	**529,095**
At 30 September 2018	34,703,857	22,835,001	231,036	710,121	**58,480,015**
Depreciation and impairment					
At 1 October 2017	-	-	142,769	464,745	**607,514**
Depreciation charged in the year	-	-	14,460	30,258	**44,718**
Eliminated in respect of disposals	-	-	-	(1,143)	**(1,143)**
At 30 September 2018	-	-	157,229	493,860	**651,089**
Carrying amount					
At 30 September 2018	34,703,857	22,835,001	73,807	216,261	**57,828,926**
At 30 September 2017	19,155,081	18,609,523	29,230	81,606	**37,875,440**

During the year £427,582 (2017 - £369,638) of interest costs directly attributable to the financing of freehold property developments were capitalised. The total capitalised interest at 30 September 2018 was £1,226,073 (2017 - £798,491).

The fair value of the investment property at 30 September 2018 has been assessed by the Directors, with reference to a valuation carried out in December 2017 by independent Chartered Surveyors, who are not connected with the company.

The original cost of the investment properties was £54,263,056 (2017: £35,017,897). The value of long leasehold properties included within investment properties was £6,935,000 (2017: £4,205,000).

The valuation was made on an open market basis by reference to market evidence of transaction prices for similar properties. The Directors have taken account of a range of uses for the properties, taking account of the cost of achieving this, rather than existing use only. In their opinion this valuation method better reflects the values that could be achieved in the open market through an arms length transaction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

10 Fixed asset investments

	Notes	2018 £	2017 £
Investments in joint ventures and associates	11	**6,218,461**	5,973,010

Movements in fixed asset investments		
		Joint Ventures and Associates
		£
Cost or valuation		
At 1 October 2017		5,973,010
Revaluation		353,043
Disposals		(107,592)
At 30 September 2018		**6,218,461**
Carrying amount		
At 30 September 2018		**6,218,461**
At 30 September 2017		5,973,010

11 Joint ventures and associates

Details of the company's joint ventures and associates at 30 September 2018 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held
Ethical IT LLP	IT solutions for organisations	N/A	50.00
Social Justice and Human Rights Centre Limited	Letting and management of property	Ordinary	41.93
Ethical Property Europe	Letting and management of property	Ordinary	28.00
Ethical Property Australia	Letting and management of property	Ordinary	37.40

The profit for the financial period for Social Justice and Human Rights Centre Limited was £844,717 and the capital and reserves at the end of the period was £10,245,884.

The profit for the financial period ended 30 September 2017 of Ethical Property Europe Group was £146,361 (based on the average exchange rate during the year) and the aggregate amount of capital and reserves at the end of the period was £7,057,914 (based on the exchange rate at 30 September 2017).

The financial period end of Ethical Property Australia is 30 June 2018. The profit for the financial period of Ethical Property Australia was £54,451 and the aggregate amount of capital and reserves at the end of the period was £116,394.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

12 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	240,962	16,198,798
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	154,479	-
Measured at amortised cost	22,304,975	17,318,909

Debt instruments comprise trade debtors and other debtors (note 13).

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and deferred income (note 14) and creditors falling due after more than one year other than the bank loan (note 15).

13 Debtors

Amounts falling due within one year:	2018 £	2017 £
Trade debtors	171,311	112,745
VAT	383,079	19,213
Other debtors	69,651	16,086,053
Prepayments and accrued income	457,231	937,715
	1,081,272	17,155,726

Amounts falling due after more than one year:	2018 £	2017 £
Deferred tax	300,000	-
Total debtors	1,381,272	17,155,726

Included in other debtors as at 30 September 2017 is £16,000,000 relating to the sale of the property Development House. This amount was received during the year.

Included within other debtors is a £50,000 loan to Brighton Open Market CIC. Interest is payable monthly in arrears at a rate of 7% above the Bank of England base rate.

The deferred tax asset is forecast to be realised in more than one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

14 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,388,484	746,785
Corporation tax	-	15,388
Other taxation and social security	46,540	40,415
Derivative financial instruments	154,479	-
Other creditors	234,738	250,464
Accruals and deferred income	838,874	1,551,010
	2,663,115	2,604,062

Trade creditors increased in 2018 as this included monthly payments for the construction of The Green House.

15 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Bank loans and overdraft	19,793,934	14,663,259
Accruals and deferred income	48,945	107,391
	19,842,879	14,770,650

The loans were taken out to refinance the previous loans with Triodos Bank NV, to provide development finance for The Green House and capacity for growth.

The rates of interest applicable on the loans as at the year- end are as follows:

Investment loan 2.5% above 3-month LIBOR

Development loan 4% above 3-month LIBOR

Revolving Credit Facility 2.7% above 3-month LIBOR

The Investment and Development loans are part of the Lloyds Green Lending Initiative and benefit from a 0.2% margin reduction providing green lending covenants are met, which include increasing capital expenditure on energy efficiency improvements.

Amounts included above which fall due after five years are as follows:

	2018 £	2017 £
Payable by instalments	-	7,051,427

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

16 Deferred taxation

Included in provisions for liabilities is deferred tax on unrealised gains. It relates to the deferred tax on the unrealised gains resulting from the revaluation of investment property. It has been fully provided for in the accounts as detailed below:

	Liabilities 2018 £	As restated Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Balances:				
Investment property	**85,580**	125,407	**300,000**	-

17 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	**112,586**	100,578

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.

18 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
14,910,708 of 50p each	**7,455,354**	7,455,354
	7,455,354	7,455,354

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

19 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 (2017: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2018 £	2017 £
Profit on ordinary activities before exceptional items, taxation, fair value interest swap and investment movements	625,915	671,512

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 profit of £1,245,634 (2017: £1,591,978) and on 14,910,708 (2017: 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.

20 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:

	2018 £	2017 £
Within one year	9,319	784,330
Between two and five years	15,806	10,081
	25,125	794,411

Operating lease commitments have reduced as the sale and leaseback arrangement for a property has ended.

21 Capital commitments

As at 30 September 2018, work on assets under construction was ongoing and the company had a capital commitment of £2,148,673.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

22 Analysis of net debt

	At 1 October 2017	Cash flow	As at 30 September 2018
Cash at bank and in hand	357,328	1,912,606	**2,269,934**
Net debt due after more than one year	(14,663,259)	(5,130,675)	**(19,793,934)**
Net debt	(14,305,931)	(3,218,069)	**(17,524,000)**

23 Related party transactions

During the year the Company made the following related party transactions:

Ethical IT LLP (Joint Venture (50/50) Limited Liability Partnership with Joint Application Development Enterprises Limited.).

During the year, the company received purchase invoices from Ethical IT LLP amounting to £349,811 (2017: £135,166 plus VAT) for IT services. The Company raised invoices to Ethical IT LLP during the year amounting to £19,060 (2017: £25,900 plus VAT) for management fees and £45,511 (2017: £39,985 plus VAT) for rent and related services. The amount owed by Ethical Property Limited to Ethical IT LLP at the year end was £37,659 (2017: £21,791). The transactions were carried out in the normal course of business. At the balance sheet date the amount due from Ethical IT LLP was £4,212 (2017: £5,250).

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 year end the value of the company's investment in the share capital of Social Justice and Human Rights Centre Limited was £4,296,099 (2017: £4,105,813). The Company raised invoices to Social Justice and Human Rights Centre Limited during the year amounting to £380,202 (2017: £359,777 plus VAT) for management fees. During the year interest of £0 (2017: £24,932) was received in respect of the loan which was fully repaid last year. At the balance sheet date included within debtors, the amount due from Social Justice and Humans Rights Centre Limited was £38,432 (2017: £32,183). Also during the year, Ethical Property Company Limited purchased services totalling £2,596 (2017: £3,257) plus VAT. All transactions were carried out in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

24 Controlling party

There was no overall controlling shareholder.

25 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	1,245,634	1,591,978
Adjustments for:		
Taxation (credited)/charged	(356,199)	140,795
Finance costs	139,581	146,766
Income from participating interests	(163,331)	(128,953)
Interest receivable	(3,752)	(28,766)
Movement on revaluation of investments	(353,043)	(209,834)
Loss on disposal of investment property	225,399	459,477
Change in fair value of interest rate swap	154,479	-
Depreciation and impairment of tangible fixed assets	44,718	38,307
Movement on revaluation of investment properties	(529,095)	(1,310,904)
Movements in working capital:		
Decrease/(increase) in debtors	74,454	(402,466)
(Decrease) in creditors	(138,484)	(194,146)
Cash generated from operations	340,361	102,254

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2018

26 Prior period adjustment

Changes to the balance sheet

	At 30 September 2017		
	As previously reported £	Adjustment £	As restated £
Provisions for liabilities			
Deferred tax	-	(125,407)	(125,407)
Capital and reserves			
Revaluation reserve	5,840,717	(125,407)	5,715,310

Changes to the profit and loss account

	Period ended 30 September 2017		
	As previously reported £	Adjustment £	As restated £
Movement on revaluation of investments	-	209,834	209,834
Movement on unrealised surplus on revaluation of properties	-	962,349	962,349
Currency translation differences	-	(34,649)	34,649
Taxation	(15,388)	(125,407)	(140,795)
Profit for the financial period	579,851	1,012,127	1,591,978

Prior year adjustments were required to be included in the accounts for the following reasons:

To restate the reporting treatment of gains on the revaluation of properties and investments. In the prior year these had been recognised as "other comprehensive income". FRS 102, the new accounting standard introduced in 2016, requires all revaluation gains and losses on properties and investments to be reported in the Statement of Comprehensive Income as an integral element of the results of the company.

To restate the disclosure of the deferred tax liability on the revaluation of the investment properties, which FRS 102 requires to be reported within the taxation charge reported in the Statement of Comprehensive Income.

To restate the disclosure of the foreign currency translation differences which FRS 102 requires to be reported within operating profit.

> My needs, and maybe those of many like me, are NOT to invest in renewable and ethical and green projects.
>
> My needs are to invest in honesty, justice, health and fair play.

– Ethical Property shareholder, Gloucestershire

Ethical Property wish to thank the following who have allowed us to use their photographs:
ARJ Construction pp Cover (t), 2, 14 (tl, cl, cr, bl)
Commissioned photography by Lisa Payne
To restate the disclosure of the foreign currency translation differences which FRS 102 requires to be reported within operating profit.

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