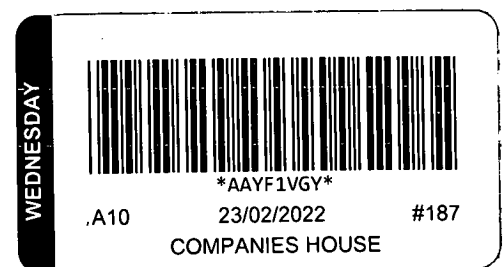


The Ethical Property Company PLC

Annual Report and Financial Statements

For the year ended 30 September 2021

Company Registration No. 02961327 (England and Wales)



The Ethical Property Company PLC

Company Information

Directors	S Clarke (Chair)	(Appointed 21 December 2020)
	N Alphey	
	P Bellack	
	J Can	
	M Middleton	
	A O'Hara	
	C Peberdy	
Secretary	A Higson	
Company number	02961327	
Registered office	The Old Music Hall 106-108 Cowley Road Oxford OX4 1JE	
Auditor	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Bankers	Lloyds Bank plc 2nd Floor 125 Colmore Row Birmingham B3 3SF	

The Ethical Property Company PLC

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The Ethical Property Company PLC

Strategic Report

For the year ended 30 September 2021

The Directors present their Strategic Report for the year ended 30 September 2021.

Business review

It has been a challenging year as the pandemic, lockdowns and advice to work from home has impacted on our ability to generate income from our centres, with restrictions reducing occupancy and opportunities for organisations to use our spaces. This has hampered the progress we wanted to make as a company, as we have focused on safeguarding the business and keeping our centres and people safe. Despite the challenges, we did take some positive steps to improve our business, our buildings and our long-term plans.

Prior to the pandemic, occupancy was 85% and we were making good progress on filling the new centres. Over the 18 months since the start of the pandemic, occupancy reduced to 71%.

During the 12-month period to 30 September 2021, 74 tenants moved out and 40 downsized. In the same period, 88 new tenancies were signed, 48 of which were new tenants to Ethical Property. It is encouraging that even during the lockdowns and periods of great uncertainty, new tenants have been attracted to the company and can see the benefits of being located in our centres.

Last financial year we depleted the dividend waiver fund to help tenants most affected by the pandemic. In 2020/2021, we supported 72 organisations with discounts or rent deferrals. This totalled £127k during the year. Total cumulative support over two years was £436k.

In addition to the above, we launched a Covid support scheme for organisations experiencing temporary hardship. 12 tenants applied for help towards paying their rent through the scheme, which led to £11k of assistance. In this way, we supported tenants at a time they needed it most, keeping their organisations alive and maintaining their presence in our buildings.

Throughout the year we focused on cost savings, utilising the government's Job Retention Scheme where operationally practical. 57% of staff were furloughed for part or all of the year, many on a part-time basis. We received £244k from the scheme this year, and £507k in total since the start of the pandemic.

We prioritised spend on activities that are critical to the long-term success of the business. We invested £331k in maintenance of and improvements to our buildings, and a further £454k to renovate and modernise Brick Yard (formerly Grayston Centre). Improving the look and feel of the buildings will improve tenant retention and attract new tenants.

We continued to invest in our online presence with the new website and roll-out of our new branding. Enquiries are increasingly made via the internet, and a welcoming and easily navigable website is vital to capitalise on this traffic. We also invested in search engine optimisation to make it easier for potential tenants to find us.

Our IT upgrade continued, with the introduction of new software and systems to support hybrid working and improve security. We installed internet-based phone systems in more buildings and increased the number of locations offering video conferencing to tenants.

Although it has been a difficult year for workspace providers, the underlying demand for our centres remains strong. We have taken the opportunity to improve our buildings and our offer to tenants, to make our processes more efficient, and to find better and more flexible ways of working. This puts us in a good position to create a stronger business in the future.

The Ethical Property Company PLC

Strategic Report (Continued)

For the year ended 30 September 2021

Key Performance Indicators

The KPIs most relevant to our business are: net lettable area in square feet, occupancy (% of maximum income), gross profit (profit generated by the core business) and return on book cost (profit generated by the buildings as a percentage of their cost).

	2021	2020
Net lettable area ('000 square feet)	177	177
Occupancy (average for year)	74%	81%
Gross profit (£'000)	2,362	2,336
Return on book cost	3.6%	3.5%

Our net lettable area is unchanged from last year: we haven't acquired or disposed of any spaces this year. Average occupancy has reduced by 7% due to a combination of tenants downsizing and moving out, offset by new tenants moving in.

The gross profit has increased due to fewer rent discounts to tenants this year and lower IT costs due to new contracts. This has been offset by lower rent and event income, and higher investment in maintenance of the buildings. The return on book cost has improved due to the higher gross profit.

Results and dividends

The loss for the year is £2,579k (2020: £3,427k loss). The operating profit is £430k (2020: £675k), a decrease of £245k. This is due to higher administrative expenses and lower income from the Job Retention Scheme.

Turnover increased by £42k due to fewer discounts and more recharges to tenants. Cost of sales increased slightly due to higher levels of spend on building maintenance.

Administrative expenses increased by £252k due to increased spend on marketing, the external valuation of the buildings, rates on empty units and an exchange rate movement on the investment in Ethical Property Europe. The higher costs were partially offset by lower salary costs, travel savings and fewer bad debts.

Other operating income is receipts from the Job Retention Scheme. This support from the government has been helpful in limiting the number of redundancies we have had to make. Our headcount reduced by five full-time equivalent (FTE) employees, which is 8%.

Interest payable for the year was £985k (2020: £1,125k). This reduction was mainly due to lower interest rates. The actual interest paid during the year was £907k (2020: £1,040k).

The lending is hedged with an interest rate swap. This swap is valued independently each year and the movement is reflected in the profit and loss account. This year shows a gain of £417k (2020: £100k loss) and is a reflection of the predicted future increase in interest rates and the maturity date of the swap. This is a revaluation movement and does not affect cash flow.

Other revaluation movements include revaluation of the investments and the property. None of the investments paid dividends in the financial year; however, the organisations continue to operate as a going concern.

Movement on revaluation of investment properties reflects the impact of the valuation of buildings owned by The Ethical Property Company. An external valuation was performed in March 2021 and the assumptions and findings were updated for the year end. Overall, the portfolio reduced in value by £2,426k. The main reason for this is increasing yield assumptions in London due to uncertainty in the London office market. Most of the properties in cities outside of London remained at similar values and some increased, as in Bristol and Oxford. Regional cities saw higher levels of office use as tenants are less reliant on public transport.

The Ethical Property Company PLC

Strategic Report (Continued)

For the year ended 30 September 2021

Balance sheet

Net assets decreased by £2,579k. This is mainly due to the revaluation of the property portfolio and the loss made during the year. Net assets are £39,301k and the net asset value per share is £2.64, which is £0.17 lower than last year. Most of this movement relates to the revaluation of property.

Debtors reduced by £296k due to lower trade debtors and the repayment of rent deferrals. Rent collections remained high overall, with more than 90% collected within the month.

Creditors due within one year reduced by £314k due to lower derivative financial instruments, retention balances and tenant deposits.

Creditors due over one year is the bank debt. The bank covenants in terms of interest cover and loan to value were met each quarter this year.

Cash flow

Cash held in the business decreased by £633k during the year. Cash generated by operating activities is £758k, resulting in a net cash outflow of £149k after interest paid. We invested in assets and property improvements (£595k) at a much higher level than in the previous financial year.

During the year, Ethical Property Europe completed a share buyback, resulting in a cash inflow of £109k to Ethical Property. This reduces our holding from 24.8% to 23.5%.

No dividends were paid during the year (2020: nil). The share liquidity scheme and plans for share raises were delayed as the company focused on responding to the pandemic and building cash reserves to cushion its impact in the medium term.

The cash balance as of 30 September 2021 was £1,691k. Cash flow modelling and testing have been applied to review the resilience of this balance in relation to the longer-term effects of the pandemic.

Going concern

We are confident that our business model can deliver what our customers want. However, the pandemic has had a significant impact on the company's business, and we anticipate that it will be some time before demand for our workspaces returns to pre-pandemic levels. We are therefore continuing to review our cost base, reduce our overheads and plan for adjustments to variable costs across a range of possible scenarios.

We have a portfolio of good-quality properties that we see as having a successful, long-term future. We seek to manage risks appropriately and respond to the risks that materialise. We have updated our financial forecasts and capital expenditure plans to take account of any changes in risks, opportunities and market conditions.

The Board considered the liquidity position in the company's financial forecasts, recognising the challenges around reliably estimating the effects of the pandemic on our business. The key areas of uncertainty include the extent and duration of restrictions in the UK, and the duration and scale of government support measures.

The company has committed bank facilities in place until March 2023. We have tested the covenants for the loans for the next four quarters and do not anticipate any issues. Should we encounter worst-case scenarios, we consider that the company would be able to take sufficient controllable, mitigating actions to avoid a breach of the banking covenants. The key mitigation measure available would be to further reduce the company's cost base and capital expenditure. Other options include issuing new share capital for cash, asset sale and leasebacks, and obtaining further covenant waivers.

The Board concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements, with no material uncertainties identified. The Board has a reasonable expectation that the company will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements.

The Ethical Property Company PLC

Strategic Report (Continued)

For the year ended 30 September 2021

Principle risks and uncertainties

Assessing and managing risk is a fundamental part of the company's business strategy and a core competency for its staff and Directors. With the oversight of the Audit and Risk Committee, we regularly monitor and manage our risks to ensure we are aware of any key concerns. The Directors are responsible for overall risk management and determine the level of risk the business can take to meet its strategic objectives.

The Ethical Property Company PLC

Strategic Report (Continued)

For the year ended 30 September 2021

Risk	Mitigation
Major health and safety incident at a building.	Maintain updated risk assessments on each building and take prompt action on all identified key risks. Training programme has been completed by property managers. Pandemic plan is maintained for all buildings. Continuous review of policies and procedures.
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 are 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 and Risk Committee oversees key financial measures on risk areas, including occupancy level and level of arrears.
Decline in property standards.	Regular maintenance reviews carried out, budget to improve standards increased. Annual tenant survey completed, and regular tenant meetings held where concerns are raised and addressed.
Impact on staff wellbeing, given physical and emotional challenges of the change of working practices and the external environment of uncertainty.	All staff completed a personal risk assessment. Communication plan updated and increased in frequency. Employee assistance programme available to all staff, giving access to external advice and support, and mental wellbeing tools.
Failure of IT support for staff and tenants.	Large investment in IT infrastructure. Implementation of additional security, both physical and cloud-based.
GDPR compliance, enquiries and risk of breach.	Policy developed and shared with all staff, register in place, systems improved and checks regularly implemented.
Failure to fill space in the properties, reducing cash flow and profitability.	Investment increased in marketing and sales resources. Increased communication with current tenants to retain occupancy. Improvements to facilities to attract new tenants.
Failure to meet investor requirements.	Improved communication, including quarterly reporting. Regular review of share price on matched bargain market (Ethex). All shareholder enquiries addressed as a high priority.
Economic slowdown leading to a fall in property values nationally, labour and material supply issues and rising costs.	Regular monitoring of property values. Benchmarking salaries for difficult-to-fill roles. No significant construction projects planned in the short term.
Changes in workspace needs in longer term, such as drop in customer base or change in work patterns.	Review portfolio for suitability of spaces and buildings, focus on affordability of our offer, review marketing and communication strategy.

The Ethical Property Company PLC

Strategic Report (Continued)

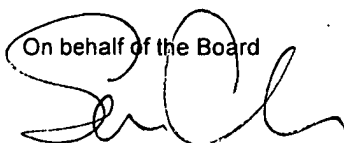
For the year ended 30 September 2021

Looking ahead

The Ethical Property Company will focus on:

- ensuring the safety and wellbeing of staff and tenants;
- continuing to improve our offer to tenants, including adapting our services to changes in demand;
- improving profitability by focusing on occupancy, cost recovery and efficiency;
- reviewing our strategic objectives to ensure we are able to take account of both threats and opportunities in the post-pandemic environment.

On behalf of the Board



S Clarke (Chair)

Director

15 December 2021

The Ethical Property Company PLC

Directors' Report

For the year ended 30 September 2021

The Directors present their annual report and financial statements for the year ended 30 September 2021.

Principal activities

The principal activity of the company aims to be that of supporting charities, co-operatives, community and campaign groups and ethical businesses by developing and running centres that are focal points for social change. At these centres the tenant organisations benefit from reasonable rents, flexible tenancy terms and office space facilities designed to meet their needs. They also become part of a working community where they can exchange skills and ideas under one roof. The Ethical Property Company offers investors the opportunity to make an ethical investment in property that supports groups working for social change.

Directors

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

S Clarke (Chair)	
N Alphey	(Appointed 21 December 2020)
P Bellack	
J Can	
M Luntley	(Resigned 22 September 2021)
M Middleton	
A O'Hara	
C Peberdy	

Directors' interests

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

	Ordinary shares of 50p each	
	2021	2020
N Alphey	2,000	-
P Bellack	100,000	81,000
J Can	5,000	5,000
S Clarke (Chair)	50,000	50,000
M Luntley	13,860	13,860

Results and dividends

The results for the year are set out on page 13.

Auditor

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

Statement of disclosure to auditor

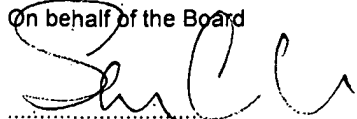
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

The Ethical Property Company PLC

Directors' Report (Continued)

For the year ended 30 September 2021

On behalf of the Board



S Clarke (Chair)

Director

Date: 15 December 2021

The Ethical Property Company PLC

Directors' Responsibilities Statement

For the year ended 30 September 2021

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.

The Ethical Property Company PLC

Independent Auditor's Report

To the Members of The Ethical Property Company PLC

Opinion

We have audited the financial statements of The Ethical Property Company PLC (the 'company') for the year ended 30 September 2021 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 2021 and of its loss 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 12 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.

The Ethical Property Company PLC

Independent Auditor's Report (Continued)

To the Members of The Ethical Property Company Plc

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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The Ethical Property Company PLC

Independent Auditor's Report (Continued)

To the Members of The Ethical Property Company Plc


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.



Jonathan Seymour (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

21 December 2021
.....

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

The Ethical Property Company PLC

Statement of Comprehensive Income

For the year ended 30 September 2021

	Notes	2021 £'000	2020 £'000
Turnover		5,261	5,219
Cost of sales		(2,899)	(2,883)
Gross profit		2,362	2,336
Administrative expenses		(2,176)	(1,924)
Other operating income		244	263
Operating profit	3	430	675
Profit on disposal on investment properties		-	35
Movement on revaluation of investments	10	(17)	(52)
Other interest receivable and similar income		2	1
Movement in fair value interest rate swap		417	(100)
Interest payable and similar expenses		(985)	(1,125)
Movement in the revaluation of investment properties	7	(2,426)	(2,809)
Loss before taxation		(2,579)	(3,375)
Taxation	6	-	(52)
Loss for the financial year		(2,579)	(3,427)
Earnings per share (pence)	18	(3.7)	(2.8)
Earnings per share including valuation movement (pence)	18	(17.3)	(22.9)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

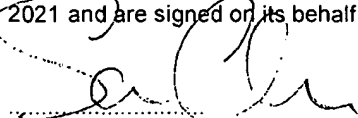
The Ethical Property Company PLC

Balance Sheet

As at 30 September 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	8	449	449
Investment properties	9	58,550	60,509
Investments	10	6,524	6,751
		<u>65,523</u>	<u>67,709</u>
Current assets			
Debtors	13	745	1,041
Cash at bank and in hand		1,691	2,324
		<u>2,436</u>	<u>3,365</u>
Creditors: amounts falling due within one year	14	<u>(1,917)</u>	<u>(2,532)</u>
Net current assets		<u>519</u>	<u>833</u>
Total assets less current liabilities		<u>66,042</u>	<u>68,542</u>
Creditors: amounts falling due after more than one year	15	<u>(26,741)</u>	<u>(26,662)</u>
Net assets		<u>39,301</u>	<u>41,880</u>
Capital and reserves			
Called up share capital	17	7,455	7,455
Share premium account		2,859	2,859
Revaluation reserve		2,105	4,548
Capital redemption reserve		531	531
Profit and loss reserves		26,351	26,487
Total equity		<u>39,301</u>	<u>41,880</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 December 2021 and are signed on its behalf by:



S Clarke (Chair)
Director

Company Registration No. 02961327

The Ethical Property Company PLC

Statement of Changes in Equity

For the year ended 30 September 2021

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 October 2019	7,455	2,862	7,559	531	51	26,852	45,310
Year ended 30 September 2020:							
Loss and total comprehensive income for the year	-	-	-	-	-	(3,427)	(3,427)
Transfers	-	-	(3,011)	-	(51)	3,062	-
Other movements	-	(3)	-	-	-	-	(3)
Balance at 30 September 2020	7,455	2,859	4,548	531	-	26,487	41,880
Year ended 30 September 2021:							
Loss and total comprehensive income for the year	-	-	-	-	-	(2,579)	(2,579)
Transfers	-	-	(2,443)	-	-	2,443	-
Balance at 30 September 2021	7,455	2,859	2,105	531	-	26,351	39,301

The Ethical Property Company PLC

Statement of Cash Flows

For the year ended 30 September 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	23		758		725
Interest paid			(907)		(1,040)
Net cash outflow from operating activities			(149)		(315)
Investing activities					
Purchase of tangible fixed assets		(129)		(116)	
Improvements to investment property		(466)		(38)	
Proceeds on disposal of investments		-		155	
Share buy back from investments in associates and joint ventures		109		-	
Interest received		2		1	
Net cash (used in)/generated from investing activities			(484)		2
Financing activities					
Proceeds from borrowings		-		2,000	
Repayment of borrowings		-		(75)	
Marketing costs		-		(3)	
Net cash (used in)/generated from financing activities			-		1,922
Net (decrease)/increase in cash and cash equivalents			(633)		1,609
Cash and cash equivalents at beginning of year			2,324		715
Cash and cash equivalents at end of year			1,691		2,324

The Ethical Property Company PLC

Notes to the Financial Statements

For the year ended 30 September 2021

1 Accounting policies

Company information

The Ethical Property Company PLC 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 thousand pounds.

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.

Going concern

After due consideration of the future cash flows of the company, the Directors are confident that the company has sufficient financial resources to meet its obligations as a going concern for the foreseeable future, being more than 12 months from the date of approving the financial statements. In reaching the conclusion, the Directors have considered the working capital needs of the business and have taken action in order to ensure that the company has sufficient working capital in place. As at the date of approval of the financial statements, the Directors are continuing to assess the ongoing impacts of the outbreak of COVID-19 and the measures taken to contain it on the company's activities. Whilst there remain market uncertainties, the Board is confident that it is appropriate to prepare the accounts on the going concern basis.

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.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies (continued)

1.4 Capitalisation of finance costs

Interest is capitalised on investment properties where refurbishment/redevelopment expenditure is required before the asset can be brought into use. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on property-specific borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the company and applied to the expenditure on the property undergoing redevelopment.

Interest is capitalised from the date of acquisition of the property under refurbishment or redevelopment until the date when substantially all the activities necessary to prepare the asset for its intended use are complete. For a phased completion, capitalisation of interest costs is reduced by the proportion of Net Lettable Area of the whole building made available at each stage.

If the total amounts calculated to be capitalised exceed total interest costs then only an amount equal to actual interest costs incurred is capitalised, and general borrowing costs are allocated to multiple projects pro-rata to their use of general borrowings.

1.5 Investment properties

Investment properties are stated at market value, with independent valuations taking place at least every three years. The properties were last independently valued in March 2021. The Directors reviewed the valuation calculations and updated the assumptions as at 30 September 2021, as described in note 2 and 9.

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.

1.6 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.

1.7 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.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies (continued)

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.

1.8 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 and other short-term liquid investments with original maturities of three months or less.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies (continued)

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies (continued)

1.15 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.

1.16 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.

1.17 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, rental yields, the outcome of rent reviews and the rate and length of voids.

3 Operating profit

	2021	2020
	£'000	£'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	110	(47)
Government grants	(244)	(263)
Depreciation of owned tangible fixed assets	129	124
Auditor's remuneration - the audit of the company's annual accounts	28	26
Payments to auditor for corporation tax and other services	3	2
	<u> </u>	<u> </u>

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

4 Employees

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

	2021 Number	2020 Number
Administration staff	59	75
Management staff	33	32
	<u>92</u>	<u>107</u>
Full-time equivalent head count of operation staff	61	66

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	1,954	2,149
Social security costs	173	181
Pension costs	123	126
	<u>2,250</u>	<u>2,456</u>

5 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	108	95
Company pension contributions to defined contribution schemes	5	5
	<u>113</u>	<u>100</u>

During the year retirement benefits in respect of a money purchase scheme were accruing to one (2020: one) Director.

Fees of £35k (2020: £23k) were paid to Non-Executive Directors. In 2020, Non-Executive Directors sacrificed fees of £17k. Key management compensation during the year totalled £319k (2020: £319k). Key management includes the Executive Director and the senior managers.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

6 Taxation

	2021 £'000	2020 £'000
Current tax		
Over provision of UK corporation tax in prior period	-	(11)
Deferred tax		
Deferred tax provision on unrealised gain on investment properties	-	63
	<u>-</u>	<u>63</u>
Total tax charge	<u>-</u>	<u>52</u>

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

	2021 £'000	2020 £'000
Loss before taxation	<u>(2,579)</u>	<u>(3,374)</u>
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)</i>	(490)	(641)
Tax effect of expenses that are not deductible in determining taxable profit	-	6
Effect of revaluations of investments	3	-
Temporary timing differences arising from investment property revaluations and depreciation	486	557
Under/(over) provided in prior years	-	10
Capital allowances for the year	(205)	(153)
Effect of capital gain/(loss)	-	(6)
Losses not recognised in deferred tax	<u>206</u>	<u>216</u>
Current taxation credit for the year	-	(11)
Deferred tax origination and reversal of timing differences (see below)	<u>-</u>	<u>63</u>
Taxation charge in the financial statements	<u>-</u>	<u>52</u>

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

6 Taxation (continued)

As at 30 September 2021 the company had property tax losses of £3,433,658 (2020: £2,914,338) and non-trade loan relationship deficit of £4,093,600 (2020: £3,528,225) available to carry forward against income arising in future years.

Deferred tax timing differences mainly arise from temporary differences between the carrying amount and tax base of investment properties, investments, computer equipment and fixtures.

Ethical Property tax policy

The company is committed to paying all the taxes that we owe in accordance with the spirit of all tax laws that apply to our operations. We believe that paying our taxes in this way is the clearest indication we can give of being responsible participants in society. We will fulfil our commitment to paying the appropriate taxes that we owe by seeking to pay the right amount of tax, in the right place, and at the right time. We aim to do this by ensuring that we report our tax affairs in ways that reflect the economic reality of the transactions that we undertake during the course of our business.

We will not seek to use those options made available in tax law, or the allowances and reliefs that it provides, in ways that are contrary to the spirit of the law. Nor will we undertake specific transactions with the sole or main aim of securing tax advantages that would otherwise not be available to us based on the reality of the trade that we undertake. Ethical Property will never undertake transactions that would require notification to HM Revenue & Customs under the Disclosure of Tax Avoidance Schemes Regulations or participate in any arrangement to which it might be reasonably anticipated that the UK's General Anti-Abuse Rule might apply.

We believe tax havens undermine the UK's tax system. We aim not to trade with customers and suppliers located in places considered to be tax havens, but if some customers and suppliers are genuinely located in places considered to be tax havens, we will not make use of those places to secure a tax advantage, and nor will we take advantage of the secrecy that many such jurisdictions provide for transactions recorded within them. Our accounts will be prepared in compliance with this policy and will seek to provide all the information that users, including HM Revenue & Customs, might need to properly appraise our tax position.

7 Net unrealised gains on investment properties

This year there was a write back of £nil (2020: £180k) on a permanent diminution written off in previous years on investment properties.

	2021 £'000	2020 £'000
In respect of:		
Write back of permanent diminution in value of investment property written off in previous years	-	180
Net revaluation, other investment properties	(2,426)	(2,989)
	<u>(2,426)</u>	<u>(2,809)</u>

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

8 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 October 2020	311	884	1,195
Additions	47	82	129
Disposals	-	(1)	(1)
At 30 September 2021	358	965	1,323
Depreciation			
At 1 October 2020	197	549	746
Depreciation charged in the year	34	95	129
Eliminated in respect of disposals	-	(1)	(1)
At 30 September 2021	231	643	874
Carrying amount			
At 30 September 2021	127	322	449
At 30 September 2020	114	335	449

9 Investment property

	2021 £'000
Fair value	
At 1 October 2020	60,509
Additions	467
Net gains or losses through fair value adjustments	(2,426)
At 30 September 2021	58,550

During the year nil (2020: nil) of interest costs directly attributable to the financing of freehold property developments were capitalised at the weighted average cost of the related borrowings. The total capitalised interest at 30 September 2021 was £1,380k (2020: £1,380k).

The fair value of investment property at 30 September 2021 has been assessed by the Directors, with reference to a valuation carried out in March 2021 by independent chartered surveyors, who are not connected with the company.

The original cost of the investment properties was £58,624k (2020: £58,158k). The value of long leasehold properties included within investment properties was £7,800k (2020: £7,950k).

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 users of the properties, and 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 arm's length transaction.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

10 Fixed asset investments

	Notes	2021 £'000	2020 £'000
Investments in joint ventures and associates	11	6,524	6,751

Movements in fixed asset investments

	Joint ventures and associates £'000
Cost or valuation	
At 1 October 2020	6,751
Valuation changes	(17)
Foreign exchange movements	(101)
Disposals	(109)
At 30 September 2021	6,524
Carrying amount	
At 30 September 2021	6,524
At 30 September 2020	6,751

11 Joint ventures and associates

Details of the company's joint ventures and associates at 30 September 2021 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held
Social Justice and Human Rights Centre	Letting and management of property	Ordinary	41.93
Ethical Property Europe	Letting and management of property	Ordinary	23.46
Ethical Property Australia	Letting and management of property	Ordinary	30.30

The profit for the financial period for Social Justice and Human Rights Centre Limited was £194k and the capital and reserves at the end of the period was £11,379k.

The profit for the financial period ended 30 September 2020 of Ethical Property Europe Group was £394k (based on the average exchange rate during the year ended 30 September 2020) and the aggregate amount of capital and reserves at the end of the period was £12,204k (based on the exchange rate at 30 September 2020).

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

12 Financial instruments

	2021 £'000	2020 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	459	710
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	323	741
Measured at amortised cost	28,189	28,094

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 and the bank loan (note 14) and creditors falling due after more than one year (note 15).

13 Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	110	254
Other debtors	348	456
Prepayments and accrued income	287	331
	745	1,041

Included within other debtors is a £30,000 loan to Brighton Open Market CIC. Interest is payable monthly in arrears at a rate of 7% above the Bank of England base rate.

14 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	472	254
Other taxation and social security	146	359
Derivative financial instruments	323	741
Other creditors	437	577
Accruals and deferred income	539	601
	1,917	2,532

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

15 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loans and overdraft	26,741	26,662

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

Investment loan	2.5% above 3-month LIBOR
Revolving credit facility	2.7% above 3-month LIBOR

The investment loan is part of the Lloyds Green Lending Initiative and benefits from a 0.2% margin reduction providing that green lending covenants are met, which include increasing capital expenditure on energy efficiency improvements.

The loan is secured under a fixed and floating charge over the properties.

16 Retirement benefit schemes

	2021 £'000	2020 £'000
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	123	126

The company operates two defined contribution pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in independently administered funds.

17 Share capital

	2021 £'000	2020 £'000
Ordinary share capital		
Issued and fully paid		
14,910,708 of 50p each	7,455	7,455

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

18 Earnings per share

The calculations of basic and diluted earnings per share are based on earnings as set out below and on 14,910,708 (2020: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2021 £'000	2020 £'000
Loss on ordinary activities before exceptional items, taxation, fair value interest swap and investment movements	(553)	(414)

The calculations of basic and diluted earnings per share after accounting for exceptional items, taxation, fair value interest swap and investment movements is based on loss of £2,579k (2020: £3,427k) and on 14,910,708 (2020: 14,910,708) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

In the opinion of the Directors the earnings per share excluding exceptional items, taxation, fair value interest swap and investment movements is a more suitable measure of the underlying performance of the company.

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £'000	2020 £'000
Within one year	8	8
Between two and five years	13	14
	<u>21</u>	<u>22</u>

Lessor

Standard leases to third parties have a break clause of less than one year. Five leases with break clauses of over one year have been identified. The shortest end date of these leases is 4 December 2022, the longest is 31 March 2026. All leases include a provision for upward rent reviews according to prevailing market conditions. There are no options in place for either party to extend the lease terms.

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

19 Operating lease commitments (continued)

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2021 £'000	2020 £'000
Within one year	107	571
Between two and five years	32	212
In over five years	-	-
	<u>139</u>	<u>783</u>

20 Related party transactions

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

Social Justice and Human Rights Centre Limited (joint venture with Trust for London, Joseph Rowntree Charitable Trust, The Barrow Cadbury Trust and Lankelly Chase Foundation).

The Ethical Property Company manages the company and all of its transactions, including payment of management fees. At the year end the value of the company's investment in the share capital of Social Justice and Human Rights Centre Limited was £4,771k (2020: £4,689k). The company raised invoices to Social Justice and Human Rights Centre Limited during the year amounting to £330k (2020: £411k) for management fees. At the balance sheet date included within debtors, the amount due from Social Justice and Humans Rights Centre Limited was £21k (2020: £41k). Also during the year, The Ethical Property Company purchased services totalling £4,396 (2020: £216). All transactions were carried out in the normal course of business.

Director P Bellack is a Director on the Board of Social Justice and Human Rights Centre Limited and Ethical Property Europe. He does not receive remuneration for this work.

21 Analysis of net debt

	At 1 October 2020	Cash flow	As at 30 September
Cash at bank and in hand	2,324	(633)	1,691
Net debt due within and over one year	<u>(26,662)</u>	<u>(79)</u>	<u>(26,741)</u>
Net debt	<u>(24,338)</u>	<u>(712)</u>	<u>(25,050)</u>

The Ethical Property Company PLC

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

22 Controlling party

There was no overall controlling shareholder.

23 Cash generated from operations

	2021 £'000	2020 £'000
Loss for the year after tax	(2,579)	(3,427)
Adjustments for:		
Taxation charged	-	52
Finance costs	985	1,125
Interest receivable	(2)	(1)
Movement on revaluation of investments	17	5
Profit on disposal of investment property	-	(35)
Change in fair value of interest rate swap	(417)	100
Depreciation and impairment of tangible fixed assets	129	124
Movement on revaluation of investment properties	2,426	2,809
Foreign exchange movements on investments	101	-
Movements in working capital:		
Decrease in debtors	295	107
(Decrease) in creditors	(197)	(134)
Cash generated from operations	758	725