

# The Audit Findings for Halsey Garton Property Limited and its subsidiary

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Year ended 31 March 2018

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9 July 2018





Private and Confidential

Board of directors  
 Halsey Garton Property Limited and its subsidiary  
 County Hall  
 Penrhyn Road  
 Kingston Upon Thames  
 Surrey  
 KT1 2DN

13 July 2018

Dear Sirs

**Audit Findings for Halsey Garton Property Limited and is subsidiary for the year ended 31 March 2018**

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Richard Hagley

Director  
 For Grant Thornton UK LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Status of the audit

**Our work is substantially complete subject to the following areas:**

- receipt and review of the final financial statements;
- receipt and review of the signed management letter of representation; and
- updating our post—balance sheet events review to the point of issue of the audit report.

There are currently no matters of which we are aware that would require modification of our audit opinion.

# Audit opinion

Our anticipated audit report opinion will be unqualified.

# Section 1: Audit findings

01. Audit findings

02. Independence, ethics, fees and non-audit services

03. Communication of audit matters

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA (UK) 600	Planned audit approach
Halsey Garton Property Ltd	Yes	Comprehensive	Full scope UK statutory audit
Halsey Garton Property Investments Ltd	Yes	Comprehensive	Full scope UK statutory audit
Halsey Garton Residential Ltd	No	Analytical	Desktop review only; no statutory audit required
Halsey Garton Property Developments Ltd	No	Analytical	Desktop review only; no statutory audit required



## Audit scope

- **Comprehensive** – the component is of such significance to the group as a whole that an audit of the components financial statements is required
- **Targeted** – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit
- **Analytical** – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

# Audit findings – Significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Significant risks identified in our Audit Plan	Component risk relates to	Commentary
<b>1 Improper revenue recognition</b> <ul style="list-style-type: none"> <li>• Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</li> <li>• We therefore identified this as a risk requiring special audit consideration.</li> </ul>	Halsey Garton Property Ltd and Halsey Garton Property Investments Ltd	<b>Auditor commentary</b> <ul style="list-style-type: none"> <li>• We completed the following procedures:             <ul style="list-style-type: none"> <li>– documented and considered management's controls over revenue recognition;</li> <li>– substantively tested rental revenues for the year; and</li> <li>– substantively tested year end debtors balances.</li> </ul> </li> </ul> <p>No issues in relation to improper revenue recognition were noted from our audit procedures completed.</p>
<b>2 Management override of controls</b> <ul style="list-style-type: none"> <li>• Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities.</li> <li>• We therefore identified this as a risk requiring special audit consideration.</li> </ul>	Halsey Garton Property Ltd and Halsey Garton Property Investments Ltd	<b>Auditor commentary</b> <ul style="list-style-type: none"> <li>• We completed the following procedures:             <ul style="list-style-type: none"> <li>– reviewed accounting estimates, judgments and decisions made by management;</li> <li>– tested journal entries;</li> <li>– reviewed of unusual significant transactions.</li> </ul> </li> </ul> <p>No issues in relation to management override of controls were noted from our audit procedures completed.</p>

# Audit findings – Reasonably possible risks

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental.

<b>Reasonably possible risks identified in our Audit Plan</b>	<b>Component risk relates to</b>	<b>Commentary</b>
<b>1 Investment Property</b> <ul style="list-style-type: none"> <li>• Revaluation measures not correct (Valuation – Gross)</li> </ul>	Halsey Garton Property Ltd (group financial statements only) and Halsey Garton Property Investments Ltd	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We completed the following procedures:             <ul style="list-style-type: none"> <li>– documented our understanding of management's arrangements for valuing investment properties;</li> <li>– agreed the revaluation adjustments in the financial statements to the report of the external valuer; and</li> <li>– reviewed the appropriateness of the methodology and assumptions applied in performance of the revaluations.</li> </ul> </li> </ul> <p>No issues in relation to the year end valuation of investment property were noted from our audit procedures completed.</p>
<b>2 Investment Property</b> <ul style="list-style-type: none"> <li>• Investment property activity not valid (Valuation – Gross)</li> </ul>	Halsey Garton Property Ltd (group financial statements only) and Halsey Garton Property Investments Ltd	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We completed the following procedures:             <ul style="list-style-type: none"> <li>– reviewed management's policies for capitalisation of expenditure; and</li> <li>– substantively tested capital additions for the year.</li> </ul> </li> </ul> <p>No issues in relation to the valuation of investment property additions expenditure were noted from our audit procedures completed.</p>

# Audit findings – Reasonably possible risks (continued)

Reasonably possible risks identified in our Audit Plan	Component risk relates to	Commentary
<p><b>③ Operating Expenses</b></p> <ul style="list-style-type: none"> <li>Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period (Completeness)</li> </ul>	Halsey Garton Property Ltd and Halsey Garton Property Investments Ltd	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We completed the following procedures:             <ul style="list-style-type: none"> <li>Documented the controls in place in relation to the recording of expenditure and year end accruals;</li> <li>Performed unrecorded liabilities testing to assess whether there are any additional liabilities that should have been accrued;</li> <li>Performed substantive testing of expenditure and year end creditor and accrual balance; and</li> <li>reviewed the appropriateness of the approach adopted by management for estimating year end expenditure accruals.</li> </ul> </li> </ul> <p>No issues in relation to the completeness of expenditure and year end creditor balances were noted from our audit procedures completed.</p>

# Audit findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	After reviewing the group's forecast and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.	We have reviewed management's assessment of going concern and are satisfied that the going concern basis is appropriate for the financial statements for the year ended 31 March 2018.  We note that the group was at a net current liability position as at year end of £3.6m. This was primarily due to £4.7m of capital creditors in respect of the Nottingham acquisition that were financed through £4.6m of loan and equity funding received by the Group in April 2018. We are therefore satisfied that the year end net current liability position is not indicative of any going concern risks.	 <b>Green</b>
<b>Revenue recognition</b>	Revenue from rents and other property related services, is recognised when the property or service is provided, rather than when payments are received.	We have reviewed the Companies' revenue recognition policies and have verified that they are reasonable and compliant with the requirements of FRS 102.	 <b>Green</b>
<b>Judgements and estimates</b>	Significant estimates and judgements include: <ul style="list-style-type: none"><li>• expenditure accruals;</li><li>• capitalisation of expenditure;</li><li>• deferred income;</li><li>• accrued income in respect of unamortised lease incentives;</li><li>• deferred tax;</li><li>• fair value of investment property;</li><li>• fair value of Halsey Garton Property Ltd's equity investment in Halsey Garton Property Investments Ltd; and</li><li>• judgements made in preparing the group financial statements.</li></ul>	We are satisfied regarding the appropriateness of significant accounting judgements and estimates reflected within the accounts.	 <b>Green</b>

**Assessment**

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Audit findings – accounting policies (continued)

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	We have reviewed the Company's policies against the requirements of the Companies Act and FRS 102.	We have reviewed the Company's policies against the requirements of the Companies Act and FRS 102. The accounting policies adopted are appropriate and consistent with previous years.	<span style="color: green;">●</span> <b>Green</b>

**Assessment**

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Other communication requirements

	<b>Issue</b>	<b>Commentary</b>
1	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>• We have previously discussed the risk of fraud with the Board in our Audit Plan. We have not been made aware of any incidents of fraud in the year and no other issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>• We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>• We are not aware of any significant incidences of non-compliance with laws and regulations.</li> </ul>
4	<b>Written representations</b>	<ul style="list-style-type: none"> <li>• Representations will be requested from management in respect of the significant assumptions used in making accounting estimates.</li> </ul>
5	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>• We requested from management permission to send a confirmation requests to Cushman &amp; Wakefield and HSBC in respect of the Company's closing cash balances as at 31 March 2018. This permission was granted and the confirmation requested from Cushman &amp; Wakefield was received. We are still awaiting receipt of the confirmation requested from HSBC and will undertake alternative procedures to gain assurance around your cash balance in the event that this confirmation is not received.</li> </ul>
6	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>• We identified no disclosure omissions in the financial statements.</li> </ul>
7	<b>Internal controls</b>	<ul style="list-style-type: none"> <li>• During our audit we did not note any significant deficiencies in internal controls to report.</li> </ul>

## Section 2: Independence, ethics, fees and non-audit services

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01. Audit findings

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# Independence, ethics, fees and non-audit services

The table below sets out the total fees for audit and non-audit services charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

	Fees £	Threat identified	Safeguards
Audit of Halsey Garton Property Ltd	£3,750	None noted	N/A
Audit of Halsey Garton Property Investments Ltd	£8,750	None noted	N/A
<b>Total audit</b>	<b>£12,500</b>		

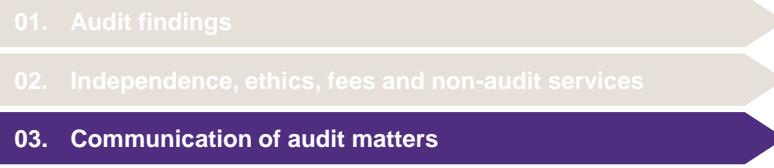
- No non-audit services have been provided to the Company by Grant Thornton UK LLP.
- The audit fee was not provided on a contingent fee basis.

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

## Section 3: Communication of audit matters

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01. Audit findings
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  03. Communication of audit matters

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.	•	•
Details of safeguards applied to threats to independence		
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including:		
Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

# Grant Thornton at a glance

## Grant Thornton International Ltd

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- Over 130 countries
- Over 700 locations
- Over 47,000 people
- Global methodologies, strategy, global brand, global values – consistent global service



FTSE 100 are  
non-audit clients

56%



People  
worldwide

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