



Report to the Board

Halsey Garton Property Ltd &
Surrey Property Group Ltd
(formerly Halsey Garton
Property Investments Ltd)

Year ended 31 March 2024

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Strictly Private and Confidential

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as this report has not been prepared for and is not intended for any other purpose.

01 Introduction

Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of Halsey Garton Property Ltd (“the Company”) and Surrey Property Group Ltd (together “the Group”) for the year ended 31 March 2024.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to the directors on 2 August 2024, focussing on observations 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 Communication with Those Charged with Governance.

This report provides an update to matters which arose during the course of our audit.

Audit scope

Our terms of engagement are set out in our engagement letter dated 25 July 2023. This sets out our audit responsibilities and their limitations and the responsibilities of the Directors in relation to the financial statements.

Our Audit Service Plan set out in detail the key issues and risks identified at the planning stage and the related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

Audit independence

In accordance with the requirements of auditing standards we disclose the following:

- We are also auditors of the following other Surrey County Council subsidiary companies;
 - Surrey Choices Ltd

We discussed the specific threat to you posed with our involvement in services provided and how we mitigate such threats in our Audit Service Plan. We have identified no further threats during the course of the audit.

We therefore confirm that, in our professional judgment, UHY Hacker Young LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partners and audit staff is not impaired.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact Jessica Moorghen on 020 7216 4670 or at j.moorghen@uhy-uk.com

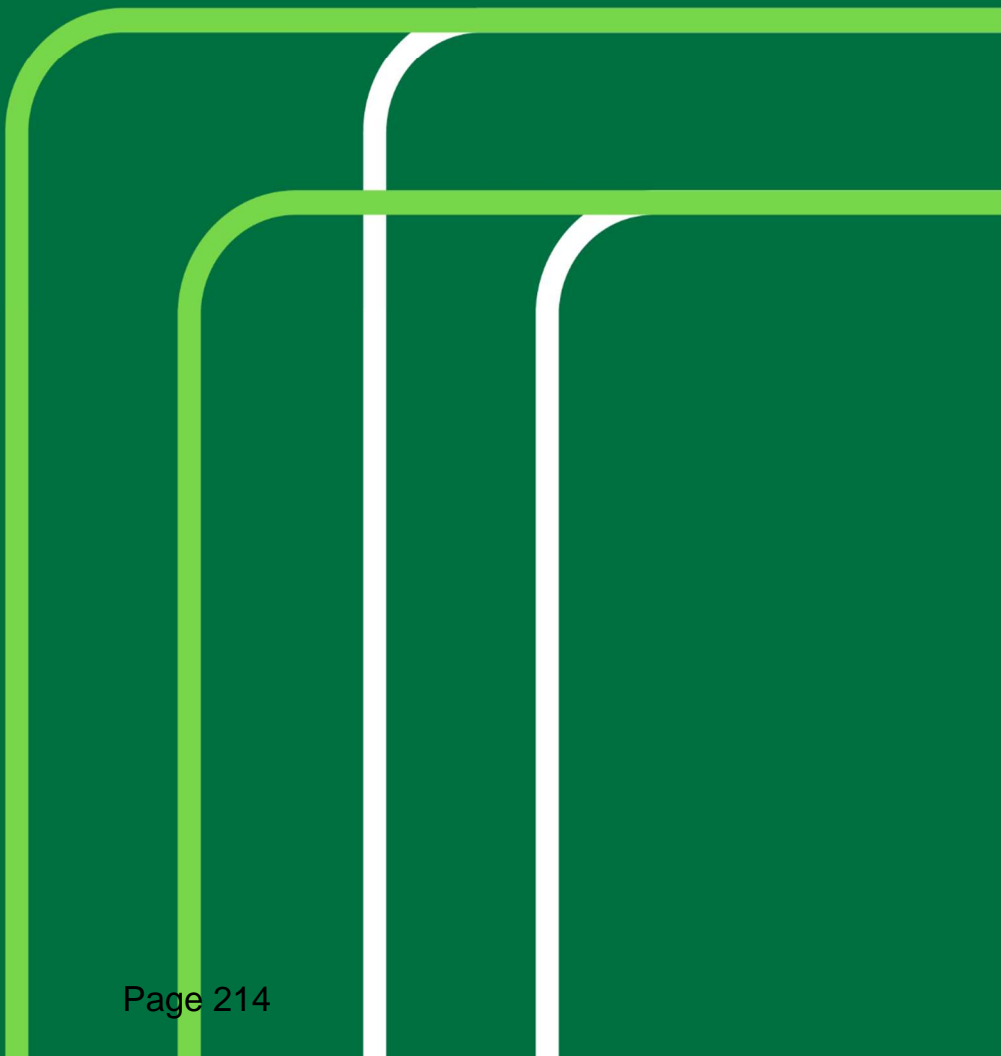
Limitations

We have prepared this report for your use within the Company. It is part of our continuing communication of audit matters with those charged with the governance of the Group and, accordingly, is addressed to the Board. It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

This document has the following purposes:

We have received full co-operation from all Halsey Garton’s staff. We wish to thank in particular Bill Harrow and the entire Halsey team for the helpfulness and co-operation during the course of the audit process.

Audit status



02 Audit status

The audit of the Group is substantially complete. All matters encountered during the audit were dealt with as the audit progressed. There are, however, at the time of writing some outstanding unresolved audit matters which are set out below which may or may not have an impact on our audit opinion on the Group's financial statements:

- Signed Letter of Representation from the directors;
- Signed Directors' Report;
- Signed Statement of Financial Position; and
- Completion of our subsequent events review to the date of our audit report.

We expect to sign our auditor's report as soon as practicable after clearing the outstanding matters and the approval of the directors' report and accounts by the directors. Our anticipated auditor's report opinion will be unmodified.

Section 03

Our approach to materiality

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03 Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process.

It applies to monetary misstatements and also to disclosure requirements in compliance with the accountancy framework and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the company's financial statements	£224,000 – Halsey Garton Property Ltd	For Halsey Garton Property Ltd the key metric was net assets. This takes into account the value of the investment in its subsidiary and the loan balance.
	£2,475,000 - Surrey Property Group Ltd	For Surrey Property Group Ltd the key metric was considered to be gross assets as the key balance is the valuation of investment property.

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Significant matters

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04 Significant Matters

Significant matters, as identified in our Audit Service Plan:

Risks identified in Audit Service Plan	Work identified by management	Audit procedures and conclusion
<p>Management override of controls Under ISA 240 (UK) there is a presumed risk that the risk of management override of controls is present in all entities.</p>	<p>Management were to ensure there are appropriate internal controls and procedures are in place to prevent override of controls.</p>	<p>We have:</p> <ul style="list-style-type: none"> Updated our documentation around the posting of journals and formulation of key estimates and assessed the design and implementation of those controls. Assessed and challenged accounting estimates, judgements and decisions made by management. Tested a sample of journal entries, adjustments accounting estimates and judgements applied by management in the financial statements for bias that could result in material misstatements. Reviewed significant transactions to ensure they were in the normal course of business. <p>Conclusion: We found no indication of management bias or significant transactions outside the normal course of business.</p>
<p>Cut-off and Revenue Recognition – Surrey Property Group Ltd only Under ISA 240 (UK) there is a resumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>Management should review the status of all significant transactions close to the year end to ensure that all are accounted for in the appropriate accounting period. Additionally, management have prepared rental income schedules which show how much income was generated from each tenant.</p>	<p>We have:</p> <ul style="list-style-type: none"> Updated our documentation of the revenue process and controls in place, this included assessing the design and implementation of those controls. Assessed whether revenue was accounted in accordance with the accounting policy on revenue recognition. Analytically reviewed revenues and verified significant movements against expectations/performed proof in total Tested a sample of transactions to agreements to supporting evidence Reviewed the assessment made by management in relation to the application of the correct cut off processes <p>Conclusion: We found no significant or reportable adjustments were noted based on the work performed.</p>

Investment property valuations – Surrey Property Group Ltd only	<p>Management procedures should be in place to determine the market value of the property portfolio at the year-end date.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Reviewed the property valuations supplied to us and assessed the reasonableness of the assumptions made and the accuracy of the calculation. • Checked that the revaluation adjustments have been accurately accounted for. <p>Conclusion: No adjustments were considered necessary by UHY following the discussions with all the relevant parties to ensure accurate valuations of investment properties.</p>
Valuation of investment in subsidiary - Halsey Garton Property Ltd only	<p>Management is to ensure investment in the Surrey Property Group Ltd subsidiary is materially correct.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Carried out a review of the calculation on which the investment valuation is based, and assessed any impairments required following the valuation of the underlying properties within the subsidiary <p>Conclusion: We found the valuation of the investments to be fairly stated and impaired in accordance with the movements in the fair values of the investment properties held within HGPI.</p>

Going concern

05 Going concern

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Overview of the risk	Management's assessment of going concern	Audit procedures and conclusion
<p>There is a requirement to highlight any judgements abouts events and conditions that may cast significant doubts over the entity's ability to continue as a going concern.</p>	<p>Management were to evaluate whether the group is trading as a going concern. Management provided a cash flow projection to 31 December 2025 which confirmed their assessment of the going concern principle.</p>	<p>We have:</p> <ul style="list-style-type: none"> Inspected the cash flow projection provided by management, checking that the assumptions made were reasonable and that the calculations were accurate. Taken into account the first loan amounting to £9.86m that will be repayable in November 2025 and whether the entities have sufficient funds to repay this. <p>Conclusion: We concur with management's assessment that the going concern principle is applicable. The cash balance is expected to remain positive throughout.</p>

Section 06

Other matters (non-significant risks)

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06 Other matters (non-significant risks)

Other Risks identified in our Audit Service Plan	Work done by Management	Audit procedures and conclusion
Debtor recoverability – Surrey Property Group Ltd only	Management should ensure that the bad debt provision is adequate, complete, and not materially understated. They should have an adequate justification for recognition of bad debt provision.	<p>We have reviewed the subsequent recovery of debtors after the year end to gain comfort that the debtors are recoverable and consider whether any bad debt provisions need to be adjusted for.</p> <p>Conclusion: Reasonable assurance has been obtained that the bad debt provision is adequate, complete, and not materially understated.</p>

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Section 07

Your audit requirements and our planned responses

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Helping you prosper

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07 Other communication requirements

Accounting Policies and Financial Reporting

No changes in significant accounting policies have been made during the course of the year. We have not identified any non-compliance with group accounting policies or applicable accounting framework.

Review of board minutes

No material or significant matters have arisen from the review of board minutes.

Significant post balance sheet events

You have confirmed that there are no subsequent events relevant to the audit.

Consideration of fraud

Management have ultimate responsibility for prevention and detection of fraud and, as auditors, we are required to obtain reasonable assurance that the financial statements are free from material misstatements including those arising as a result of fraud.

Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance. We have discussed fraud with Neil Jarvey and Bill Harrow. It was confirmed that:

- there have been no instances of fraud during the year; and
- those charged with governance of the company consider there to be a low risk of fraud.

During the course of our work, we found no evidence of fraud and corruption. We must emphasise again that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

Related parties

Management are responsible for the completeness of the disclosure of related party transactions in the financial statements. We are required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment of fraud.

We are not aware of any related parties or related party transactions which have not been disclosed.

Laws and regulations

We are not aware of any significant incidences of non-compliance with laws and regulations that could have a material impact on the financial statements.

Written representations

Following conclusion of our audit work we will issue a letter of representations to management. At the date of this report we expect to be requesting specific representations in respect of the recoverability of intercompany balances, valuation of the investment in subsidiary, assumptions surrounding going concern and the valuation of the investment properties.

Confirmation request from third parties

Confirmations have been requested and received for all bank and loan accounts.

Disclosures

A review of disclosures has been performed as part of our review of the accounts with necessary amendments being processed.

Section 08

Audit adjustments

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08 Audit adjustments

Unadjusted items

There are no unadjusted items above trivial level to be brought to your attention.

In assessing the key areas of audit judgement we have had full regard to our assessed level of materiality. A final materiality calculation will be undertaken prior to finalisation of the group accounts.

We acknowledge the subjectivity and scope for differing viewpoints over some of our concerns. By the same token, the Board in deciding to approve the accounts as currently drafted will also be exercising subjective judgement.

Remaining timetable

We are scheduled to be in a position to sign all statutory accounts in due course in respect of the Company and the Group.

Management Letter

We will discuss with management matters arising where we consider that the internal systems and procedures could be improved. A draft copy of the letter highlighting these issues will be supplied to management. We will then require formal confirmation of management's comments which will then be incorporated before we circulate the document to the full Board.

Audit report

We propose issuing an unmodified audit report on the financial statements of the company for the year ended 31 March 2024.

Appendices

Appendix: Audit Quality

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Appendix: Audit Quality

The firm has fully implemented International Standard on Quality Management 1 and 2 (ISQM 1 and ISQM 2). The firm has carried out procedures to monitor our System of Quality Management (SoQM) as at 15 December 2022 and 2023.

Audit Quality is a top priority for the firm and is discussed monthly at the firm's Executive Committee (ExCo) as well as being highlighted in the firm's strategy. The Heads of Audit and Audit Compliance Partner are members of ExCo and work to implement the Audit Quality Strategy along with the firm's Technical and Training team. In addition, the Technical and Training team monitors the actions required to maintain a high level of audit quality and address any findings from both internal and external audit file and audit compliance reviews.

The firm seeks to continually improve and enhance our audit quality. As the firm carries out listed company audits, the firm is reviewed externally by the ICAEW's Quality Assurance Department (QAD) on an annual basis. The firm also undertakes an annual internal file and audit compliance reviews which is outsourced to Mercia, all RIs are reviewed at least once every two years.

Additional quality control procedures are implemented for listed companies in accordance with the firm's Quality Policy.

Appendix: The firm's values

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Appendix: The firm's values

Helping you prosper

We are passionate about our purpose of **helping you prosper**. It drives all that we do at UHY and really gives meaning to our work. We want to help our clients, our teams and our community determine what prosperity means for them, and to help them achieve it. We understand that the route to prosperity is often a virtuous circle; happy and prosperous teams lead to happy and prosperous clients, which in turn is a reward for our teams. To ensure we achieve our purpose, we have four core values that we live to:

Make progress

We are passionate about making progress to deliver above and beyond. We pledge to invest in our people, their skills and their future as we continue to embrace change and develop our business and the way we serve our clients.

Live empathy

We will seek to put ourselves in your shoes to ensure the service we provide is one based on real understanding and empathy. This will help us to build a close working relationship whilst ensuring strong regulatory compliance.

Be present

Driven by our commitment to be honest and have integrity, we seek to always engage fully and commit to providing a consistently high quality service throughout the work that we do.

Enjoy it

Ultimately we love what we do and understand that to help our clients prosper, we need to commit fully and enjoy our work. We are not afraid to speak our mind to challenge thinking to ensure we add value on every engagement.



Appendix: Sustainability Reporting & Assurance requirements

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What is Sustainability Reporting and Assurance?

Sustainability reporting and assurance are critical components for companies committed to sustainable practices. Environmental, Social and Governance (“ESG”) is a measure of sustainability. It is a framework that looks beyond financial data to consider the impact of a business on the environment and the wider society.

Sustainability Reporting

This is the practice of disclosing information about a company’s environmental, social, and governance initiatives and performance. It’s a way for businesses to communicate their commitment to sustainable development and to demonstrate how they’re addressing challenges related to climate change, resource scarcity, and social responsibility. The goal is to provide transparency and accountability, helping stakeholders understand the company’s impact on the world.

Sustainability Assurance

Assurance refers to the independent evaluation of a company’s sustainability report to verify its accuracy and reliability. It’s about building trust and confidence in the reported information. Assurance providers assess whether the report is complete, fair, and balanced, and if it aligns with relevant standards and frameworks. This process helps ensure that the company’s sustainability claims are credible and supports stakeholders in making informed decisions.

We at UHY, as your auditors, are in a unique position to assure the consistency and comparability of your carbon and ESG data with the financial data we are already familiar with, this makes it decision useful and enables us to provide you with the advice your business needs on your sustainability journey.

Who does it apply to?

Business Activity	Requirements	What needs to be prepared?	Data required
Procurement processes	Corporate Sustainability Reporting Directive “CSRD”: EU regulation requiring annual ESG reporting for large EU companies and some SMEs.	Double materiality assessment. Reporting against 14 mandatory Principle Adverse Impact Indicators “PAI”s plus 2 optional (from 33).	16 assured ESG metrics.
(Re)financing	Banks offering green loans require a net zero transition plan.	Details of project including planned CO2e emissions reductions, budget and timeline.	Scope 1, 2 and 3 emissions; CO2e targeted reductions and plan.
Exporting to the EU	Carbon Border Adjustment Mechanism (“CBAM”): EU regulation imposing a carbon tariff on carbon intensive products imported to the EU.	Annual CO2e report inc. calculation methodology and third party verification. Register with EU’s CBAM registry.	- CO2e emissions associated with production of exported goods, including direct emissions from production processes and indirect emissions from energy use.
Business Activity	Requirements	What needs to be prepared?	Data required

Government/local authority contracts	PPN 06/21: tenders for government contracts over £5 million require CO2e emissions and reduction plan.	Word document template to be submitted alongside tender.	Scope 1 and 2 and some Scope 3 emissions. CO2e net zero transition plan inc. annual targets and milestones.
Raising capital	Sustainable Finance Disclosure Regulation ("SFDR"): EU regulation requiring annual fund level ESG reporting for EU investors.	Reporting against 18 mandatory PAIs plus 2 optional (from 46).	18 assured ESG metrics.
Public sector accounts	Streamlined Energy Carbon Reporting ("SECR"): UK regulation requiring annual energy and CO2e reporting for large UK companies and LLPs with over 40,000kWh of energy or more during a reporting period.	CO2e and energy report inc. disclosure of methodology.	Scope 1 and 2 CO2e emissions. Total energy consumption inc. electricity, gas, and transport energy use.

How can we help you prosper on your sustainability journey?

Through our partnership with Omnevue we have an easily accessible platform that links to your finance and HR system which can help you obtain your ESG data on 23 metrics for your environmental, social and governance data points (aligned with the EU Taxonomy's "Principle Adverse Impact Indicators") and report on these metrics in a clear and comprehensive report.

We have a sustainability assurance team who are able to provide a limited assurance report by easily tracing the data collected to its source. This gives your stakeholders comfort over the accuracy and reliability of the data presented in your report.

If you would like to discuss your sustainability and ESG requirements, please get in touch with your usual audit partner or [Harriet Hodgson-Grove](#) or [Matthew Granger](#).



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