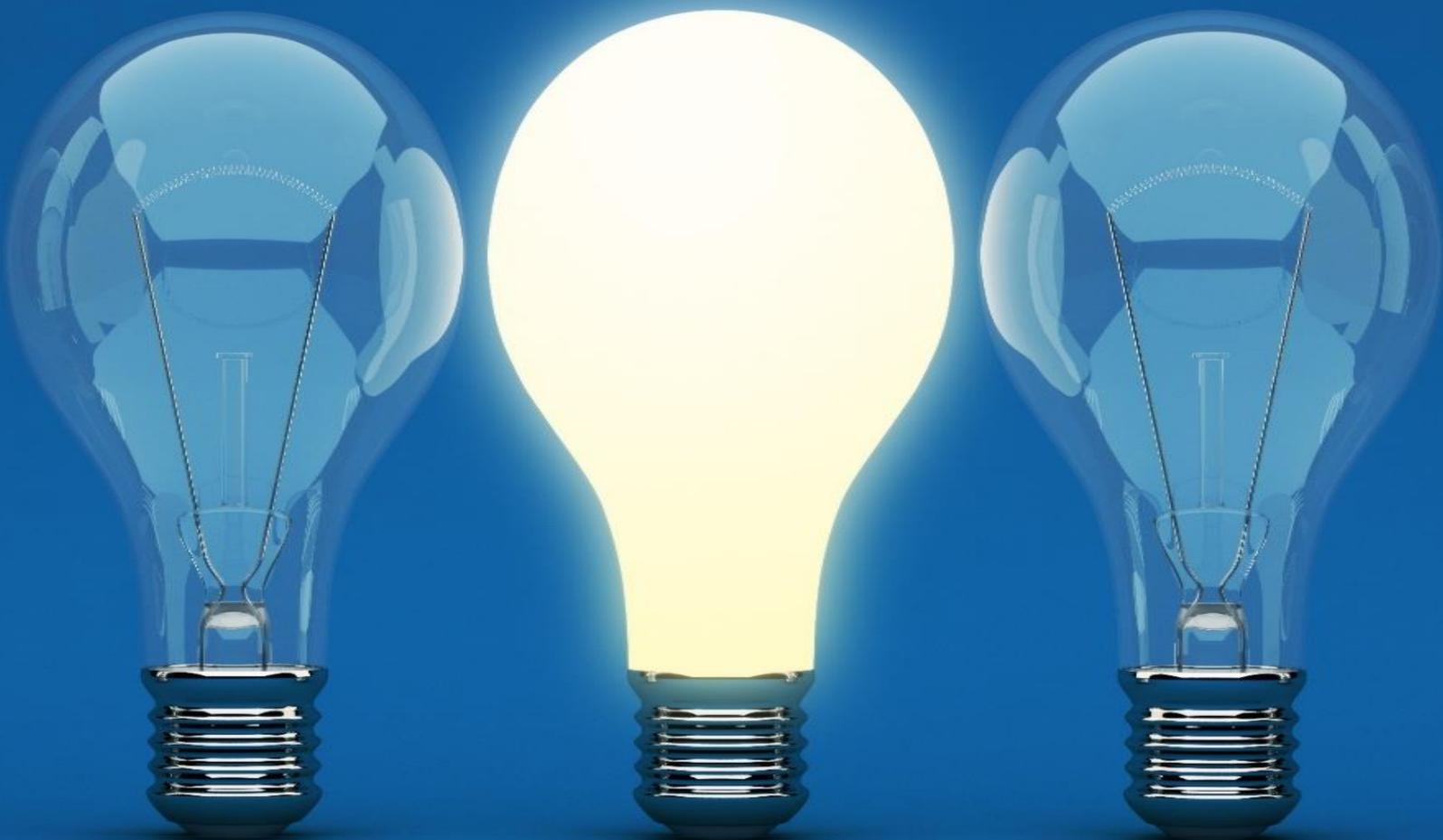


Report to the Board for Halsey Garton Residential Limited.

Year Ended 31 March 2021



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The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. 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 the report has not been prepared for and is not intended for, any other purpose.

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 Residential Limited (“the Company”) for the year ended 31 March 2021.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to the directors on 12 May 2021, 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 26 July 2021. 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 auditors of Halsey Garton Property Investments Limited and Halsey Garton Property Limited.
- In addition to the audit, we provided the following services in 2020:
 - o Preparation of financial statements

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 Subarna Banerjee on 020 7216 4600 or at s.banerjee@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.

Acknowledgement

We wish to thank Joe Stockwell and the entire Halsey Garton Residential Limited team for the helpfulness and co-operation during the audit process.

Audit status

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The audit of the company is substantially complete. All matters encountered during the audit were dealt with as the audit progressed.

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

Our approach to materiality

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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	£132,000	Net assets is the most appropriate benchmark to use as the management group of the company are most interested in the valuation of the assets, especially the investment properties held, from which they generate rental income from. Management hope the Investment properties appreciate as naturally this would have a favourable effect on the rental values that can be sought from tenants.

Significant matters

Significant matters, as identified in our Audit Service Plan:

Risks identified in Audit Service Plan	Work identified by management	Comments
<p>Investment Property valuations</p>	<p>Management was able to provide us with the relevant purchase contracts to substantiate the historical cost of the properties.</p>	<p>We were able to agree the purchase price of the investment properties to the underlying agreements. The acquisition price deemed to be a fair reflection of open market value at the year end as there were no major changes in the properties or market conditions.</p> <p>Conclusion: Overall, we found no issues with the historical cost basis on which the investment properties were recognised in the accounts.</p>
<p>Management override of controls</p> <p>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 procedures 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 and accounting estimates for bias that could result in material misstatements. • Review 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</p> <p>Under ISA 240 (UK) there is a resumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>Management were to review the status of all significant transactions close to the year end to ensure that all were accounted for in the appropriate accounting period.</p> <p>Management were able to provide us with the listing of all the properties owned and the relevant details to calculate the expected rental income.</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>

Going concern

Management's assessment of Going Concern	<p>Management were to evaluate whether the company is trading as a going concern.</p> <p>Management was thus required to provide a cash flow projection for 12 months from the expected date of signing the Audit Report which confirmed their assessment of the going concern principle.</p>	<p>We inspected the cash flow projection provided by management, checking that the assumptions made were reasonable and that the calculations were accurate.</p> <p>The cash balance is expected to remain positive throughout.</p> <p>Conclusion: We concur with management's assessment that the going concern principle is applicable.</p>
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Other matters (non-significant risks)

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Other Risks identified in our Audit Service Plan	Work done by Management	Comments
Debtor Recoverability	Management was able to provide supporting evidence for debtor balance outstanding at the year end and justifications for their recoverability.	Testing was completed satisfactorily and there were no issues identified with the recoverability of the outstanding debtors at the year end.
Valuation and Classification of the Loan Liability	Management was able to provide us with their loan agreements and loan working schedules.	The loan liability was agreed to underlying schedules with no issues identified. The short-term portion of the loan liability was reclassified to current liabilities.

Other communication requirements

Changes in accounting policies

No changes in accounting policies have been made during the year.

Review of board minutes

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

Significant post balance sheet events

No material or significant post balance sheet events have been identified.

Consideration of fraud

We have discussed fraud with Joe Stockwell and Paul Forrester. 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 our work, we found no evidence of fraud and corruption. We must emphasise, however, 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

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

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 valuation of the investment properties and the valuation of the loan liability with SCC.

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.

Audit adjustments

Adjusted items

A schedule of adjusted errors has been provided to Joe Stockwell. This has also been included in the summary of adjusted errors in the letter of representation. The letter of representation states that the individual amounts and aggregate total of £24,111 was a reclassification adjustment which has no impact on the P&L

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 able to sign all statutory accounts by 07 September 2021 in respect of the Company.

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 2021.

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