

Report to the Board

Halsey Garton Property Limited & Halsey Garton Property Investments 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 Property Limited (“the Company”) and Halsey Garton Property Investments Limited (together “the Group”) for the year ended 31st March 2021.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to the directors on 19th 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.

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 7th April 2020. 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 Group companies;
 - Halsey Garton Residential Limited
 - Hendeca Group Limited
 - Surrey Choices Limited

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.

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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 have received full co-operation from all Halsey Garton Property Limited and Halsey Garton Property Investments Limited staff. We wish to thank in particular Neil Jarvey, Paul Forrester, Ryan Curran and the entire Halsey Garton team for the helpfulness and co-operation during the course of the audit process.

Audit status

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 but will include a paragraph regarding the estimation uncertainty regarding the investment properties.

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	£698,363 (Halsey Garton Property Limited) £849,549 (Halsey Garton Property Investments Limited)	For both entities, the key metric was considered to be Net Assets. This is because the valuation of the investment properties is the main area of interest for the directors as it impacts 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>Cut-off and Revenue Recognition – Halsey Garton Property Investments Ltd only</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"> • Performed a proof in total of expected rental income and agreed rental charges to underlying tenant agreements. • Performed analytical procedures seeking explanations for significant movements from expectations • Review the assessment made in the application of the correct cut off processes <p>Conclusion: Income has been fairly stated. We found no significant or reportable adjustments were noted based on the work performed.</p>
<p>Investment property valuations (Halsey Garton Property Investments Ltd only)</p> <p>There is the risk that investment properties are not reflected at fair value at the year end.</p>	<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.

		<ul style="list-style-type: none"> engaged an auditors' expert to review the assumptions adopted by the management's expert. We held several meetings to challenge those assumptions both with management and the client's valuation team. <p>Conclusion: Downward adjustments totalling £2.55m were made with a further unadjusting journal of £550k to the Salford property due to the differences between the UHY appointed valuer and Montagu Evans valuations.</p> <p>Furthermore, a material uncertainty paragraph has been included in the audit report which highlights the estimation uncertainty pertaining to the valuation of the investment properties. Though, we are satisfied that the properties are fairly stated and the differences have arisen as a result of differences in valuation techniques adopted.</p>
<p>Management override of controls (both entities)</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"> Reviewed the journal entries, adjustments and accounting estimates for bias that could result in material misstatements Reviewed transactions which appear to be outside 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>Valuation of investment in subsidiary (Halsey Garton Property Ltd only)</p>	<p>Management is to ensure investment in the Halsey Garton Property Investments 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>
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Going concern

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Management's assessment	Management were to evaluate whether the group is trading as a going concern.	We have discussed in detail with the directors the steps being taken to ensure that the company will continue as a going concern. We have requested and reviewed the cash flow forecasts and budgets of the company for the 12 months from the date of signing and assess the reasonableness of the assumptions made. We have also performed a sensitivity analysis on the cash flow forecasts, taking into consideration any key tenants. Conclusion: We concur with management's assessment that the going concern principle is applicable.
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Other matters (non-significant risks)

Other Risks identified in our Audit Service Plan	Work done by Management	Comments
Debtor recoverability (Halsey Garton Property Investments 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	We have reeviewed 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. Conclusion: Reasonable assurance has been obtained that the bad debt provision is adequate, complete and not materially understated.

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Other communication requirements

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Changes in accounting policies

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

Review of board minutes

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

Significant post balance sheet events

This included:

- A final dividend payment of £250,000 declared and payable to Halsey Garton Properties Ltd,. As the declaration and payment were made post year end no liability has been included in the accounts.

Consideration of fraud

We have discussed fraud with Paul Forrester and Neil Jarvey. 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, 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 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 accounts and inter-company balances.

Disclosures

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

Unadjusted items

A schedule of unadjusted errors for each undertaking has been provided to you. A summary of all the unadjusted errors has been provided to Neil Jarvey and Paul Forrester. The directors have included the summary of unadjusted errors to the group letter of representation. The group letter of representation states that the individual amounts and aggregate total of £550,000 (decrease in profit) is immaterial and, accordingly, no adjustment is required.

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 by the end of September 2021 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 2021. However, a material uncertainty paragraph has been included in the Audit Report which highlights the estimation uncertainty surrounding the valuation of the investment properties.