

Report to the Board

Halsey Garton Property Limited & Halsey Garton Property Investments Limited

Year ended 31 March 2023



Helping you prosper

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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.

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 Limited (“the Company”) and Halsey Garton Property Investments Limited (together “the Group”) for the year ended 31 March 2023.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to the directors on 25 July 2023, 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 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 Harriet Hodgson-Grove on +44 20 7216 4657 or at h.hodgson-grove@uhy-uk.com

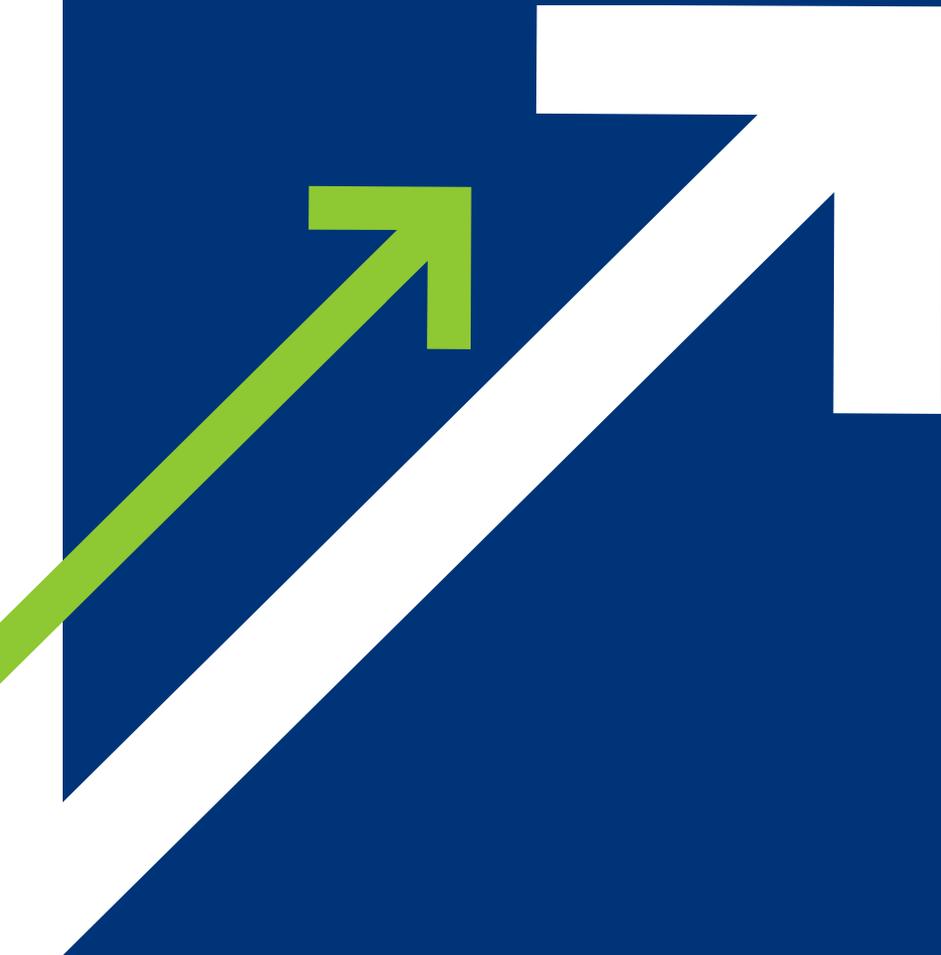
Limitations

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 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, Bill Harrow, Emma Cross and the entire Halsey Garton 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.

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Our approach to materiality



03 Our approach to materiality

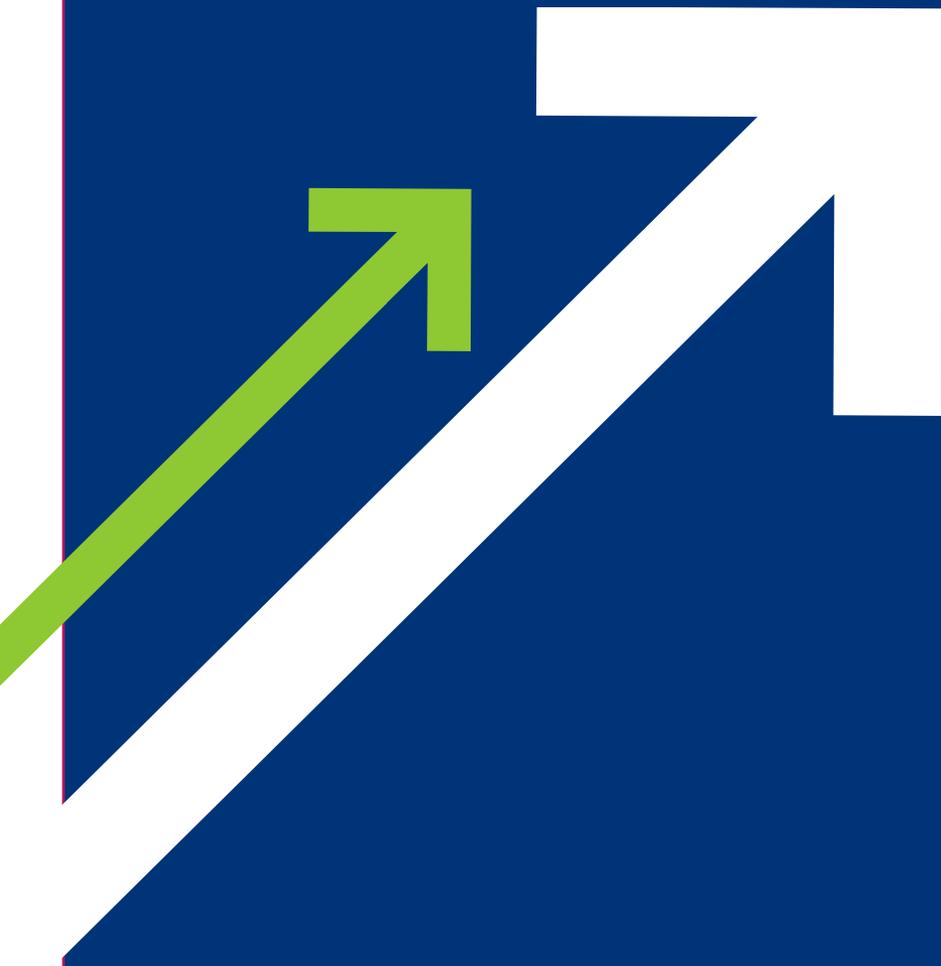
The concept of materiality is fundamental to the preparation of the financial statements and the audit process.

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	£357,500 – Halsey Garton Property Limited	For Halsey Garton Property Limited the key metric was net assets. This takes into account the value of the investment in its subsidiary and the loan balance.
	£2,549,000 - Halsey Garton Property Investments Limited	For Halsey Garton Property Investments Limited 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



04 Significant matters

Significant matters, as identified in our Audit Service Plan:

Risks identified in Audit Service Plan	Work identified by management	Comments
<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"> 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 – Halsey Garton Property Investments Limited only</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 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>

<p>Investment property valuations - Halsey Garton Property Investments Ltd only</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. • 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: No adjustments were considered necessary by UHY following the discussions with all the relevant parties to ensure accurate valuations of investment properties.</p>
<p>Valuation of investment in subsidiary - Halsey Garton Property Limited 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>

Going concern



05 Going concern

Management's assessment	<p>Management were to evaluate whether the group is trading as a going concern.</p> <p>Management provided a cash flow projection to June 2025 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>We also monitored the progress of the significant refinancing that took place post year end.</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)



06 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 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. 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



07 Other communication requirements

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

No significant post balance sheets have been noted.

Consideration of fraud

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, 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 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



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 2023.

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