

# Report of the Audit Committee

## Committee membership

The Audit Committee comprises Stephanie Eastment as chair, Simon Bennett and Adam Smith. The Audit Committee met twice during the year under review.

Stephanie Eastment has recent and relevant financial experience. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in an effective manner and has competence relevant to the sector in which it operates.

## Role of the Committee

The Committee assists the Board in discharging its responsibilities with regard to financial reporting, external audit and internal controls, including:

1. monitoring the integrity of the financial statements of the Group, including its annual and half-yearly reports and reviewing significant financial reporting issues and the judgements which they contain;
2. keeping under review the adequacy and effectiveness of the Group's risk management and internal control systems and reviewing and approving the statements to be included in the annual report concerning risk management and internal controls, going concern and annual viability statement;
3. making recommendations to the Board in relation to the appointment/re-appointment or removal of the auditor and approving its remuneration and terms of engagement;
4. reviewing and monitoring the auditor's independence, objectivity and effectiveness; and
5. approving any non-audit services to be provided by the auditor and monitoring the level of fees payable in that respect.

## Performance evaluation

Refer to page 35 of the Corporate Governance section detailing how the review of the Committee's performance has been conducted, and the results of such evaluation.

## Activities

The Committee meets at least twice a year to consider the annual report and half-year report and any other matters as specified under its terms of reference. During the year and up to the date of this report, the Committee has: reviewed financial results for publication; reviewed the performance and effectiveness, objectiveness and independence of the auditor and considered its re-appointment and remuneration; reviewed the non-audit services provided by the auditor and the associated fees incurred; reviewed the risk management and internal controls systems of its third-party service providers; and reviewed the Committee's terms of reference which are available on the Company's website.

In addition to the above, at the Company's annual and interim reporting stages the Committee reviewed the Company's risk management and internal controls, including the Company's risk register, heat risk map, and top risk (post-mitigation) schedule. This included a top-down review of risks to ensure that these aligned with the top risks identified by the risk management system's bottom-up approach. The audit chair also held several discussions with the Investment Adviser during the year, and with the Investment Adviser and auditor during the course of the audit. Lastly, the Committee held in-depth discussions with

the Investment Adviser in relation to transitional arrangements and the future migration of the Company's data following the change of investment adviser to Martley Capital.

## Significant issues considered by the Committee

### Valuation

The Committee determined that a key area of consideration in relation to the Consolidated Financial Statements of the Group was the valuation of the investment properties, as it is fundamental to the Group's statement of financial position and audited results. The 19 properties in the portfolio at the year-end were externally valued by qualified independent valuers (using the internationally accepted Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards) and whilst comparable market transactions provide valuation evidence, there are assumptions which involve significant levels of judgement. The Committee considered the valuations, and these were also discussed with the AIFM, Investment Adviser and auditor during the audit of the financial statements. Details of the valuation methodology are contained in Note 10 to the Consolidated Financial Statements.

### Measurement of Investment in subsidiary undertakings

The Committee considered the comparison of the carrying value of its investment in subsidiary undertakings with the net assets of the subsidiary's balance sheet, to identify whether the net assets exceeded the carrying amount which would be an indicator of impairment in the carrying value of the subsidiary. The auditor was satisfied that the measurement of the investment in the subsidiary undertaking was free from material misstatement.

### Investment Adviser Transition

As a result in the change of Investment Adviser, the Committee alongside the AIFM considered the transfer from the previous Investment Adviser (M7) to the current Investment Adviser (Martley Capital) of its staff, and the Group's accounting records and data. This included transitional arrangements, with staff migrating during the year being reported and with migration of the Company's accounting records and data to be completed post year end.

### Internal controls

The Committee carefully considers the internal control systems by monitoring the services and controls of its third-party service providers. As previously explained, the Committee undertook a review of the Company's risk management and internal controls. It received reports on internal control and compliance from the Investment Adviser and the Group's other major service providers and no significant matters of concern were identified. Further details of the Group's internal controls and risk management are detailed on page 37.

### Internal audit

The Committee has considered whether establishing an internal audit function would be appropriate and concluded that, considering the structure and nature of the Group's activities, such a function is not necessary. The Committee believes that the existing system of monitoring and reporting by third parties remains appropriate and adequate and will review this position on an annual basis and make appropriate recommendations to the Board.

### Going concern and long-term viability of the Group

The Committee considered the Group's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis.

The Committee also considered the longer-term viability statement within the Annual Report for the year ended 30 June 2024, covering a three-year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Group's long-term viability. The Group's viability statement can be found on pages 30 to 31.

### Independence and objectivity of the auditor

It is the Committee's responsibility to monitor the performance, objectivity and independence of the auditor and this is evaluated by the Committee each year. The Company's external auditor is Moore Kingston Smith LLP ('MKS'). In evaluating MKS's performance, the Committee examines five main criteria – robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice. Having carried out a review the Committee is satisfied with the auditor's performance and that as the auditor did not carry out non-audit services the objectivity and independence of the auditor was not compromised.

### External audit process

The Committee meets at least twice a year with the auditor, once at the planning stage before the audit and again after the audit at the reporting stage. The auditor provides a planning report in advance of the annual audit, and a report on the annual audit. The Committee has an opportunity to question and challenge the auditor in respect of both of these reports.

In addition, at least once a year, the Committee has an opportunity to discuss any aspect of the auditor's work with the auditor in the absence of the AIFM and Investment Adviser and other service providers. After the annual audit, the Committee will review the audit process and consider its effectiveness.

### Appointment of the auditor

Following a review of its independence and objectivity, the Committee has recommended to the Board that re-appointment of MKS as the Company's auditor be proposed to shareholders at the forthcoming AGM. MKS has expressed its willingness to continue as the Company's auditor.

MKS was appointed as auditor to the Group on 23 June 2021 following a competitive tender process. Jonathan Sutcliffe is the audit partner and this year's audit is his fourth of the Company. In line with EU requirements adopted by the UK, it is intended that the external audit will be re-tendered at least every ten years.

### Audit fees and non-audit services

The Committee has sole responsibility for agreeing the audit fee.

An analysis of audit fees is set out below:

	Year ended 30 June 2024	Year ended 30 June 2023
	£'000	£'000
<b>Audit fees</b>		
Statutory audit of Annual Report and Accounts (current year)	73	70
Statutory audit of Annual Report and Accounts (prior year)	–	6
Statutory audit of Subsidiary Accounts	12	11
	<b>85</b>	<b>87</b>

The Committee has a policy on the engagement of the auditor to supply non-audit services. All non-audit services are reviewed by the Committee which makes recommendations for the provision of each non-audit service and ensures that the statutory auditor is not engaged to perform work that is prohibited under UK law.

The non-audit services policy was reviewed, and its application monitored by the Committee during the year and it was agreed that the policy remained appropriate for the Group.

MKS has not provided any non-audit services to the Group.

### Stephanie Eastment

Audit Committee Chair  
1 October 2024