Report of the Audit Committee

Committee membership

During the year the Audit Committee comprised Stephanie Eastment as chair, Simon Bennett and Adam Smith when he was a Director. The Audit Committee met twice during the year under review. Subsequent to the year end and the changes to the Board, both Stephanie Eastment and Simon Bennett are no longer members of the Committee having resigned. Accordingly, the Audit Committee comprises of Rob Maybury as chair, Ben Green and Adam Smith.

Both the new audit chair, Rob Maybury and Stephanie Eastment have recent and relevant financial experience. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee as a whole has competence relevant to the sector in which the Company operates given the small size of the Board, it is considered appropriate for the Chair of the Board to be a member of the Audit Committee.

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. reviewing the Group's accounting policies;
3. 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;
4. 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;
5. reviewing and monitoring the auditor's independence, objectivity and effectiveness; and
6. 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 33 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 the annual report and advised the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- reviewed the performance and effectiveness, objectiveness and independence of the auditor and considered its re-appointment and remuneration;
- reviewed the non-audit services policy;
- reviewed the risk management and internal controls systems on which the Company is reliant, including those of its key third-party service providers;
- reviewed the Committee's terms of reference which are available on the Company's website; and
- considered the need for the Company to have its own internal audit function.

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 risks schedule. The Committee also conducted 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.

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.

Risk management and internal controls

The Committee carefully considers the internal control systems by monitoring the services and controls of its third-party service providers. Details of the Group's risk management and internal controls are detailed on page 35. This details the Committee's work in the year, including bi-annual reviews of the Company's risk management and internal controls, review of the reports it receives on internal control and compliance from the Investment Adviser and the Group's other major service providers. No significant matters of concern were identified.

The Board acknowledges the changes made to the UK Code in January 2024 in reviewing its approach to internal control and related disclosures which applies to financial years beginning on or after 1 January 2026. The Company will therefore first report against this new provision of the UK Code in its annual report for the year ending 30 June 2027.

Internal audit

The Committee continues to believe that the compliance and internal controls systems and the internal audit function in place within the Investment Adviser, AIFM and Depositary provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Group is therefore considered unnecessary.

Going concern and long-term viability of the Group

The Committee considered the Group's financial requirements for the next 12 months from the date of signing of the financial statements 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 2026, 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 28 to 29.

Fair, balanced and understandable statement

The Board asked the Committee to advise on whether it considers that the Company's annual report and accounts, taken as a whole, is fair, balanced and understandable, as required under the UK Code. The production of the Company's annual report is a comprehensive process, with input from a range of contributors. The Committee considers the control framework in place (including verification processes), the detailed reviews undertaken at various stages of the production process by the Investment Adviser, the AIFM, the Depositary and the company secretary, combined with the controls in place to ensure completeness and accuracy of the Group's financial records and the security of the Group's assets.

As a result of the work outlined above, the Committee has reviewed the annual report and has concluded (and reported to the Board) that it is satisfied that the annual report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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 first appointed as the Group's external auditor on 23 June 2021, following a competitive tender process. During the year, Jonathan Russell replaced Jonathan Sutcliffe as the audit partner and this is his first year conducting the Company's audit. In accordance with FRC guidance in relation to the statutory audits of public interest entities, it is intended that the external audit will be put out to tender with the latest time being during the 2030 financial year.

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:

Audit fees	Year ended 30 June 2026 £'000	Year ended 30 June 2025 £'000
Statutory audit of Annual Report and Accounts (current year)	79	84
Statutory audit of Subsidiary Accounts	13	13
Statutory audit of Annual Report and Accounts (additional fee on data migration)	–	7
	92	**104**

The Committee has a policy on the engagement of the auditor to supply non-audit services, with prior authorisation of all such services required. Any 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.

Rob Maybury
Audit Committee Chair
28 October 2026