

AUDIT, RISK AND INTERNAL CONTROL

“The Committee has continued its focus on maintaining strong governance over the Group’s financial reporting, external audit, risk management and internal controls.

Rosie Shapland  
Chair of the Audit Committee



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## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

MEMBERSHIP AND ATTENDANCE  
AT AUDIT COMMITTEE MEETINGS

	MEMBER SINCE	MEETINGS ATTENDED
Rosie Shapland	2020	●●●● 4/4
Lesley-Ann Nash	2021	●●●● 4/4
Manju Malhotra	2022	●●●● 4/4

1. In accordance with the UK Corporate Governance Code 2018, the Board considers that Rosie Shapland has significant recent and relevant financial experience.
2. Following Board discussions on the structure of its Committees, it was agreed that from 21 April 2022, the Committee will consist of three members, Rosie Shapland, Lesley-Ann Nash and Manju Malhotra. Other Non-Executive Directors are welcome to attend meetings should they wish to do so. All Non-Executive Directors attended meetings held in May and November 2024 as well as March 2025 to review the full and half-year results and the joint meeting of the Audit and ESG Committee meeting held in January 2025.
3. The Audit Committee meeting in January 2025 was a joint meeting with the ESG Committee.

The Committee is composed entirely of Non-Executive Directors, each bringing substantial commercial acumen and broad industry expertise. The Committee is chaired by Rosie Shapland. Details of individual attendance at the meetings held during the year are set out above. More information on the skills and the experience of all Committee members can be found on pages 127 to 128.

## KEY TOPICS CONSIDERED BY THE COMMITTEE DURING THE YEAR

KEY TOPIC	ACTIVITY	OUTCOME
<b>PORTFOLIO VALUATION</b>	<ul style="list-style-type: none"> <li>- Considered the objectivity and independence of the external valuers.</li> <li>- Discussed the presentation of the portfolio valuation by the external valuers.</li> </ul>	CBRE continued to value the entire portfolio for the year ending 31 March 2025.
<b>FINANCIAL AND NARRATIVE REPORTING</b>	<ul style="list-style-type: none"> <li>- Reviewed the interim reporting and the Annual Report and Accounts.</li> <li>- Considered key judgements, estimates and assumptions in the preparation of the financial statements.</li> </ul>	<p>The Committee recommended to the Board that the Annual Report and Accounts as a whole was fair, balanced, and understandable.</p> <p>The Committee concurred with management's key judgements, estimates and assumptions. Where appropriate, the Committee challenged management assumptions such as bad debt provisions and downside scenarios for viability.</p>
<b>EXTERNAL AUDIT</b>	<ul style="list-style-type: none"> <li>- Reviewed and discussed reports from BDO, summarising their findings arising from the 2024/25 audit and the half-year review for the six months ended 30 September 2024.</li> <li>- Assessed the independence and objectivity of the External Auditors.</li> </ul>	The Committee was satisfied with the effectiveness of the audit and confirmed that there were no matters impacting the auditor's independence or objectivity.
<b>CHANGES TO PRINCIPAL RISKS</b>	<ul style="list-style-type: none"> <li>- Reviewed and discussed the Group's principal risks.</li> </ul>	There were no new principal risks added during the year but, in line with previous years, a full review of these was carried out at the March Board meeting.
<b>INTERNAL CONTROLS AND RISK MANAGEMENT</b>	<ul style="list-style-type: none"> <li>- Reviewed the effectiveness of the Company's control environment and the process for self-certification of the operating effectiveness of controls.</li> <li>- Discussed progress on actioning Grant Thornton's recommendations from their post-implementation review on the Group's new finance system.</li> <li>- Discussed an update from the Group's Head of Technology and Group Financial Controller on progress with recommendations relating to IT general controls, highlighted by BDO during the course of their audit.</li> </ul>	<p>Control owners certified the effectiveness of controls under their responsibility and no significant issues were identified. The Group's Head of Security and Risk Management continued a programme of internal controls assurance during the year.</p> <p>The Committee was satisfied with both the progress made with optimisation of the new finance system and management's response to control recommendations highlighted by BDO as part of their audit.</p>
<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>- Reviewed the Committee's terms of reference.</li> <li>- Reviewed forthcoming changes to the UK Corporate Governance Code.</li> <li>- Discussed the results of the internal performance review.</li> </ul>	<p>An internal review of the Audit Committee's performance was conducted during the year and concluded that the Committee continues to operate effectively.</p> <p>The Committee was satisfied with the Company's plans to ensure compliance with Provision 29 of the Corporate Governance Code 2024, which will apply to the Company from 1 April 2026.</p>

## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE  
CHAIR'S LETTER

The Audit Committee Report highlights how the Committee has actively challenged and supported management, carried out rigorous oversight of financial reporting, and upheld high standards of audit quality and risk governance throughout the year.

**Rosie Shapland**  
Chair of the Audit Committee

**Dear shareholder,**

I am pleased to present this year's Audit Committee Report. The report is intended to provide shareholders with an understanding of the broad role we have performed throughout the year, as well as the work carried out to provide assurance on the integrity of the Annual Report and Financial Statements for the year ended 31 March 2025. Much of the work of the Committee is necessarily targeted around the key areas of financial reporting, external audit, internal control and risk management, all of which is underpinned by a robust governance framework.

**External Auditor**

Following the rigorous audit tender process undertaken last year, BDO LLP ('BDO') was selected as the Company's External Auditor. Their appointment was approved by shareholders at the AGM on 25 July 2024. The Committee is confident that BDO brings the required experience and independence to perform a robust and effective audit of the Company's financial statements.

The Audit Committee applies the 'Audit Committees and the External Audit: Minimum Standard' and this Report sets out how the Minimum Standard has been applied.

**Rotation of valuers**

During the year the Board considered the implications of the RICS mandatory requirement for the periodic rotation of UK external valuers, set to take effect in May 2026 following a two year transition period. Read more on page 131.

**Review of material issues**

The Audit Committee has a key role in establishing that the financial statements provide a true and fair view of the Group's financial affairs. As part of this process, we considered the significant financial judgements made during the year, along with other key financial reporting issues.

In this context and in conjunction with the Board, we considered the twice annual valuation of the investment portfolio, the valuation process, the key assumptions made by the valuers and their independence. Following our review, we are satisfied that the valuation process is robust, the assumptions and estimates used in the valuation are appropriate and that the valuers remain independent. Further details can be found on page 179.

The Committee reviewed a number of other key matters which have been considered by management and discussed with BDO, including uncertainties relating to the collection of trade receivables, the classification of assets held for sale, and accounting for disposals.

We also considered, as we do on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with regulations. We found no concerns arising from this review.

A description of the material issues that the Committee considered during the year can be found on page 179 to 182.



**The role of the Audit Committee**  
Pages 177 to 178

**Developing a robust Viability Statement**  
Page 181



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### AUDIT COMMITTEE CHAIR'S LETTER CONTINUED

#### Cyber security

During the year the Company conducted two table top exercises focused on responding to cyber attacks. Insights gained from these exercises have been incorporated into the Company's processes.

#### Viability and going concern statements

The Committee considered the going concern statements in the interim statement and the Annual Report, and the viability statement in the Annual Report. This included reviewing the work undertaken by management, which considered plausible downside scenarios factoring in the Group's principal risks and potential uncertainties, and assessing the appropriateness of the five-year viability assessment period.

Following this review, we were satisfied that management had conducted robust viability and going concern assessments and recommended approval of these to the Board.

See our viability and going concern statements on pages 94 to 95.

#### 2025 Annual Report

After reviewing the reports from management, and following discussions with the External Auditor and valuers, the Committee is satisfied that:

- the process used to determine the property valuation was satisfactory.
- the financial statements appropriately address the key judgements and the key estimates.
- the Group has adopted appropriate accounting policies.
- both the External Auditor and the property valuers remain independent and objective in their work.

The Board as a whole is responsible for assessing the Group's position, performance, business model and strategy. The Committee has a key role in checking that the Group's narrative reporting gives a fair, balanced and understandable assessment of the Group's position and prospects. This assessment is covered on page 182. For the year ended 31 March 2025, the Committee confirmed to the Board it was satisfied that the Annual Report and Accounts was fair, balanced and understandable.

#### Challenging management's assumptions

The Committee reviews and, where necessary, challenges key management assumptions and estimates, ensuring they are robust, well reasoned, and supported by appropriate evidence. This oversight forms a core part of the Committee's role in maintaining the integrity of the Group's financial reporting.

#### Committee effectiveness

The performance of the Audit Committee was assessed this year through an internal performance review. I am pleased that this concluded we continue to operate effectively.

#### Risk, control and assurance

The Group has a range of processes in place to support effective internal control. These include self-certification of controls by risk owners, reviews of fraud, anti-bribery and whistleblowing policies and a risk management framework through which controls and their effectiveness are monitored and assessed.



SUSTAINABILITY IN  
EVERYTHING WE DO

## BUILDING RESILIENCE IN THE FACE OF CLIMATE CHANGE

**Incorporating sustainability across the business means we need to build resilience in the face of climate change**

The Group recognises that climate change will continue to have an increasing impact on our business and so it is one of our principal risks. More detail can be found on page 93.

## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### AUDIT COMMITTEE CHAIR'S LETTER CONTINUED

During the year the Committee reviewed an update on the post-implementation controls review conducted by Grant Thornton on the Group's new finance and property management system, as reported previously. The Committee noted that the majority of actions identified have been addressed, with plans in place to complete the remaining items.

The Committee discussed recommendations from BDO relating to the Group's Information Technology General Controls (ITGCs), which were highlighted as part of their work in their first year as the Group's new auditors, and noted that management had implemented plans to address these recommendations prior to the financial year end.

Together with the Board, the Audit Committee has reviewed the effectiveness of the Group's risk management and internal control systems and have not identified any significant failings or weaknesses.

In January 2025, the Audit Committee held a joint meeting with the ESG Committee. During this meeting, both Committees reviewed the Company's policies and procedures supporting the implementation of our ESG strategy, as well as the assurance programme being undertaken to ensure the effectiveness of these policies and procedures.

Both Committees were satisfied that the Company's policies and procedures in this area are operating effectively, and that appropriate assurance procedures are in place.

We do not have a formal internal audit function, a matter which is kept under review by the Audit Committee. However, the Head of Security and Risk Management provides the Committee with updates on the assurance reviews conducted across the business.

The Committee is aware of the changes to the UK Corporate Governance Code and has been considering our approach to address the new provision 29 requirements relating to the effectiveness of material controls, with a view to ensuring that appropriate processes are in place and documented in advance of the new provision becoming effective for the Group for its financial year commencing 1 April 2026. This has included discussions with the management team regarding the process of identifying and agreeing our material controls in line with these requirements.

I hope that you find this report informative and can take assurance from the work undertaken by the Committee during the year to deliver its key responsibilities.



**Rosie Shapland**  
Chair of the Audit Committee  
4 June 2025

## MONITORING FUTURE DEVELOPMENTS

- Continue to monitor the Group's risk management and internal control framework, particularly with regard to the new UK Corporate Governance Code on risk management and the effectiveness of material controls.
- Continue to review management's progress in addressing recommendations from BDO and Grant Thornton in relation to IT general controls and the new finance system.
- Focus on the Company's protection against cyber threats.
- Continue to focus on climate change and its potential impact on the financial statements and review mitigation strategies. This includes monitoring of climate-related risks across business decisions and seeking assurance from Bureau Veritas on our carbon emissions disclosures. See page 108 for more details.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

THE ROLE OF THE  
AUDIT COMMITTEE

The Audit Committee reviews and monitors the integrity of the Group’s financial reporting in advance of its consideration by the Board. The Committee oversees the relationship with the External Auditor in order to assess the effectiveness of the audit and to annually assess their independence and objectivity. The Audit Committee also reviews and monitors the Group’s risk management and internal controls framework.

“  
The Audit Committee is committed to ensuring the integrity of our financial reporting, internal controls and risk management systems.

HOW THE COMMITTEE OPERATES



- The Audit Committee is composed solely of independent Non-Executive Directors, with a wide diversity of experience. Rosie Shapland, as a Chartered Accountant and former audit partner with over 30 years of audit experience across multiple sectors, satisfies the requirement of having appropriate recent and relevant financial experience. The Committee as a whole has competence in the sector in which the Group operates.
- Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. During the year, the Committee met on four occasions, in May and November 2024 and in January and March 2025.
- The meeting in January was a joint meeting with the ESG Committee to review the Group’s ESG related policies and procedures that support the implementation of our ESG strategy.
- There was a further meeting in May 2025 when matters relating to the 2025 Annual Report & Accounts were discussed.
- A forward plan of agenda items guides the business to be considered at each meeting and is regularly reviewed and developed. This pre-planning facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Group.
- The Committee receives information in advance of its meetings including information from management and detailed reports from the External Auditor including the audit report. The Committee meets privately with the External Auditor, at least annually, and it liaises with Company management in considering areas for review.
- The Committee regularly invites the External Audit lead partner, the Chair of the Board, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Group Financial Controller, the Head of Technology and the Head of Security and Risk Management to attend Committee meetings. Representatives from our external valuers, CBRE, attend Board meetings twice per year to present the half and full-year valuation reports.
- Meetings of the Committee are held in advance of the Board meetings to allow the Committee Chair to provide a report on the key matters discussed to the Board, and for the Board to consider any recommendations made.
- The Chair of the Committee also meets regularly with the External Audit partner, CFO, Group Financial Controller and Head of Security and Risk Management during the year, and specifically before Committee meetings.
- All of this, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### THE ROLE OF THE AUDIT COMMITTEE CONTINUED

#### AUDIT COMMITTEE RESPONSIBILITIES

##### Financial reporting

- Review the year end and interim financial statements and monitor the reporting process, including key judgements, estimates and assumptions and the presentation of significant transactions. Information on significant matters in relation to the financial statements that were considered by the Committee can be found on page 179.
- Review the appropriateness of accounting policies and practices.
- Review the Group's internal controls in relation to the financial reporting process. Further detail on our risk management and internal controls processes can be found on pages 184 to 185.
- Advise the Board on the Group's viability and going concern statements including the assumptions in plans, key risks considered, and the sensitivities tested. More information on the Committee's assessment of the Group's viability and going concern status can be found on pages 94 to 95.

- Review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess performance, the business model and strategy. The Group's strategy and business model are explained on pages 34 to 58 and 2 to 9 respectively.

##### External audit

- Assess the work of the External Auditor in relation to significant financial judgements and estimates made by management. More information is available on pages 182 to 183.
- Assess the effectiveness of the external audit process and the ongoing relationship with the External Auditor. This is done by considering their approach to the audit and understanding of our business, discussing their reporting and any issues identified and obtaining the views of management.

- Review and monitor the objectivity and the independence of the External Auditor, including our policy governing the provision of non-audit services. Refer to page 183 for more information on our process for maintaining their independence.
- Agree the remuneration of the External Auditors.
- Complete a robust audit tender process when required, in line with the Minimum Standard for Audit Committees.

##### Portfolio valuation

- Review the External Auditor's assessment of the valuation, including an explanation as to how the valuation is audited.
- Consider, alongside the Board, the objectivity and independence of the external valuers.
- Review and challenge, along with the Board, the methodology, assumptions and judgements used by the external valuers to ensure they are appropriate.

##### Internal controls and risk management

- Review the adequacy and effectiveness of the Group's overall risk management processes that inform the Board's decision making, including the design, implementation and effectiveness of those processes.
- Review the Company's statement on internal control systems and risk management prior to endorsement by the Board
- Review the effectiveness of the Group's control environment, including the adequacy of key financial controls.
- Review whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, to receive assurance that there are proportionate and independent procedures in place. See page 98 for more information on our Whistleblowing Policy.

- Review the Group's procedures for preventing and/or detecting fraud.
- Review the Group's procedures for the prevention and detection of bribery and monitor the reports generated by such procedures. See page 98 for more information on our Anti-Bribery Policy.
- Consider whether the Group should have an internal audit function.

##### Governance, best practice and development

- Keep up to date with changes to the UK Corporate Governance Code, specifically regarding the effectiveness of the internal control environment.
- Keep up to date on investor, shareholder and market sentiment (with advice from the Company's brokers).
- Keep up to date with regulatory and legislative matters relevant to the Group including developments in accounting standards.

- Consider ESG matters in all decision making.
- Develop and approve the Committee timetable and planner which detail the areas of focus for the Committee each year.
- Discuss the assessment of the effectiveness of the Committee.
- Review and approve changes to the Committee's terms of reference.





## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

SIGNIFICANT MATTERS  
CONSIDERED BY THE COMMITTEE

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## VALUATION OF THE INVESTMENT PROPERTY PORTFOLIO

Our properties are critical to our business and the valuation demonstrates the value that we are delivering to our shareholders. It is a measure of how well we are managing our buildings and driving rental income. Furthermore, the valuation is a major component of Total Property Return, which is a key performance indicator.

The valuation of the investment property portfolio is inherently subjective, requiring significant judgement.

The valuation is conducted externally by independent valuers, CBRE, one of the world's largest commercial real estate services firms.

Given its significance, management, the Board and the Committee monitor the objectivity and independence of the valuers, and review the methodology and outcomes of the valuation, challenging the key assumptions and judgements.

BDO met with the valuers and they presented their views on the valuation to the Committee, as well as an explanation of how the valuation is audited. The Board and Committee were satisfied that the methodology, assumptions and judgements used by the valuers were appropriate, that the valuations were suitable for inclusion in the financial statements and the work of the External Auditor was appropriate.

A number of meetings are held between key management and CBRE ahead of the valuation at which the inputs and methodology of the valuation are discussed.

Key discussions include:

- London commercial property market: current trends and circumstances expected to affect the market are discussed.

- comparable market evidence: recent transactions are considered and compared to assumptions made in valuing our portfolio.
- development projects: we provide CBRE with any updates to ongoing or future schemes and we discuss the assumptions CBRE has made, particularly for more complex schemes where more significant levels of judgement are required.
- estimated rental values: the estimated rental values proposed by CBRE are discussed and reviewed, with management ensuring that these are in line with our recent rental activity.
- property information: we provide CBRE with information on any changes to properties that may affect the valuation.
- other inputs used by the valuers are reviewed and discussed.





## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE CONTINUED

The Committee considers all financial information published in the full and interim financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information. The Committee challenges the key judgements and estimates made by management in preparing the financial statements.

The Committee pays close attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements.

The Committee reviewed a number of other key matters which have been considered by management and discussed with BDO, including uncertainties relating to the collection of trade receivables, the classification of assets held for sale and accounting for disposals made during the year.



£2.368bn

PROPERTY VALUATION

AUDIT, RISK AND INTERNAL CONTROL CONTINUED  
SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE CONTINUED

DEVELOPING A ROBUST VIABILITY STATEMENT

As part of the Group's Viability Statement, the following factors were considered:

- the Group's current financial and operational position and the current economic outlook;
- the Group's cash flows, financing headroom and financial ratios; and
- reassessment of key risks and their potential impact on the business model.

THE PROCESS WE FOLLOWED:

STAGE 1

RISK IDENTIFICATION

RESPONSIBILITY

Executive Committee
Risk Management Group
Heads of Department

The strategic and operational risks were reviewed to identify the principal risks to viability over the period under consideration. The risks that would impact solvency and liquidity, either individually or in combination with other risks, were considered.

STAGE 2

RISK ASSESSMENT

RESPONSIBILITY

Executive Committee
Risk Management Group
Heads of Department

For each risk, the following factors were considered:

- our risk appetite (the level of risk the Board is willing to take);
- the controls in place to mitigate the risk; and
- the quantum of risk.

STAGE 3

SCENARIO SENSITIVITY ANALYSIS

RESPONSIBILITY

Executive Committee
Heads of Department

For those risks identified as being severe enough to impact the viability of the Group, sensitivity analysis was performed to understand the potential impact on liquidity and financial ratios.

STAGE 4

CONCLUSIONS

RESPONSIBILITY

The Board
Audit Committee

The Audit Committee considered the findings from this analysis and made their recommendations to the Board, who were given the opportunity to question the process and the findings.





## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE CONTINUED

#### FAIR, BALANCED AND UNDERSTANDABLE REPORTING

On behalf of the Board, the Committee has considered whether, in its opinion, this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

##### THE PROCESS WE FOLLOWED

**COMMITTEE REVIEW** **Audit Committee review**  
The Committee reviewed the Annual Report at an early stage, and throughout the process, to enable sufficient time for comment and review and to check overall balance and consistency.

**REPORT** **Report from the CFO and Group Financial Controller**  
The Committee discussed a report from the CFO and the Group Financial Controller covering the financial statements within the Annual Report and Accounts: this highlighted the significant changes and the areas of focus in the financial statements and commented on any new accounting standards in the period.

**ASSESS** **Fair, balanced and understandable assessment**  
A fair, balanced and understandable assessment looking at the Annual Report and Accounts as a whole was prepared by the management team and circulated to the Committee. This assessment highlights factors which support the responsibility of the Committee.

**EXTERNAL REVIEW** **External Audit Review**  
The External Auditor presented the results of its audit work to the Committee.

**RECOMMEND** **Recommendation to Board and Board's conclusion**  
The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

#### EXTERNAL AUDIT

Following a competitive tender process, BDO were appointed by the shareholders as the Workspace External Auditor for the financial year ended 31 March 2025.

##### Audit and non-audit fees

Fees payable to the External Auditor for audit and non-audit services are set out in note 2 on page 251. This year, the non-audit services performed by BDO included the review of the Group's half-year results.

##### Audit quality

An important part of the Committee's work consists of overseeing the relationship with, and performance of, the External Auditor, in particular with regards to the independence, quality, rigour and challenge of the external audit process. The Committee reviews the effectiveness of the audit throughout the year taking into account:

- the detailed audit strategy for the year including scope of work and coverage of any risks;
- the quality, knowledge and expertise of the audit engagement team;
- insight around the key accounting and audit judgements;

- the External Auditor's mindset, objectivity and approach to challenging management's assumptions and judgements where necessary;
- the quality of reporting and discussions at the Audit Committee meetings; and
- the outcome of the review of effectiveness of the External Auditor and the audit process discussed below.

The Committee discussed with BDO the risks to audit quality that they identified and how these have been addressed, including the key audit firm and network level controls they relied on. The Committee also enquired about the findings from internal and external inspections of their audit and their audit firm.

Annually, the Committee assesses the qualifications, expertise, resources and independence of the Group's External Auditor, as well as the effectiveness of the audit process. This includes reviewing the FRC AQR results for BDO as part of the audit strategy discussion. The Chair of the Committee also meets with the audit partner during the year and specifically, ahead of Audit Committee meetings.

The Committee reviewed the content of the External Auditor's reporting, incorporating internal control recommendations, and other communications with the Audit Committee and it concluded it is based on a good understanding of the Company's business.

The Committee considers that the External Auditor demonstrates professional scepticism by critically assessing information provided by the Group, assessing the reasonableness of management assumptions and seeking corroborative evidence where necessary. The External Auditor raised challenges to management's assumptions and estimates during the audit, including those detailed on page 179.

##### Audit plan

During the year, the Committee considered the audit plan created by BDO and were satisfied that the plan included appropriate responses to the risks which had been identified.

At the Audit Committee in May 2025, the Committee reviewed whether the External Auditor had met the agreed audit plan and to understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the External Auditors to address those risks.

BDO did not make any specific commitments during the tender process in 2023/24 which required review by the Committee.

There were no additional areas that the Committee required BDO to consider other than the key audit matters, detailed on page 236 to 237.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### EXTERNAL AUDIT CONTINUED

#### AUDIT AND NON-AUDIT FEES (BDO) 2024-2025

£570k

Audit £503k  
£67k Non-Audit

#### AUDIT AND NON-AUDIT FEES (KPMG) 2023-2024

£714k

Audit £617k  
£97k Non-Audit

#### AUDIT AND NON-AUDIT FEES (KPMG) 2022-2023

£440k

Audit £370k  
£70k Non-Audit



#### THE EFFECTIVENESS OF EXTERNAL AUDIT

As noted above, BDO was appointed at the start of the year following a competitive tender process, as detailed in the 2024 Annual Report, and provided external audit services to the Group for this financial year.

The Committee has discussed the quality of the audit work provided by BDO since their appointment. A preliminary view has been reached that the Committee is satisfied with their level of competence and professional scepticism applied in challenging the Group's policies and assumptions and the overall quality of work.

Following the external audit for this financial year, a full review will be undertaken of the audit process and feedback discussed with BDO.

The full review will focus on areas such as the effectiveness of the audit, the delivery and execution of the external audit process, the efficiency and performance of the audit team, communication and engagement with the management team and the quality and regularity of contact.

Having considered the quality of the external audit and the effectiveness and independence of the External Auditor, the Audit Committee has recommended to the Board that BDO be reappointed as the Company's External Auditor for the financial year ended 31 March 2026 and the Board has accepted the recommendation. A resolution proposing BDO's reappointment will be put forward to shareholders at the AGM to be held on 16 July 2025.

#### AUDITOR INDEPENDENCE AND OBJECTIVITY

In addition to reviewing effectiveness, the Committee considered the independence and objectivity of the External Auditor through a combination of assurances provided by the External Auditor on the safeguards in place to maintain independence; oversight of the Non-Audit Services Policy and fees paid.

##### BDO have confirmed to the Committee that:

- the audit of the consolidated financial statements is undertaken in accordance with the UK firm's internal policies and procedures;
- they have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditor and to ensure the objectivity of their audit report;
- they believe that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence;
- the total fees paid by the Group during the year do not represent a material part of the firm's fee income; and

- they consider that they have maintained audit independence throughout the year.

The Committee is satisfied that the External Auditor is independent.

The Audit Committee will continue to review the effectiveness and the independence of the External Auditor each year.

The Group has complied with the Competition and Markets Authority's Statutory Audit Services Order 2014 relating to audit tendering and the provision of non-audit services during the financial year ended 31 March 2025. It is the Group's intention to put the audit out to tender at least every ten years. The external audit was last tendered in 2023 following which the External Auditor changed from KPMG LLP to BDO with effect from the audit in respect of the financial year ended 31 March 2025.

There are no contractual obligations which restrict the Committee's choice of External Auditor or which put in place a minimum period for their tenure.

#### SAFEGUARDING AUDITOR INDEPENDENCE

As required by the Code, the Audit Committee has a formal policy governing the engagement of our External Auditor to supply non-audit services and to assess the threats of self-review, self-interest, advocacy, familiarity and management.

If the External Auditor is to be considered for the provision of non-audit services, the scope of work and the fees must be approved in advance by the Chief Financial Officer, the Company Secretary and the Chair of the Audit Committee.

For larger assignments, in excess of £100,000, this would involve a competitive tender process, unless there are compelling commercial or timescale reasons to use the External Auditor or another specific accountancy firm.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee, on behalf of the Board, keeps under review the effectiveness of the Group's risk management and internal control systems through management updates and output from the Group's Risk Management Group to ensure that the controls in place are effective. This framework is designed to manage rather than eliminate business risks and to provide reasonable assurance against material misstatement in the financial statements.

On the basis of the processes outlined on this page and having regard to the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC in September 2014, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review.

As noted on page 176, a post-implementation review of our new finance and property management system by Grant Thornton identified a number of opportunities to enhance our processes and control environment in relation to the new system. In addition, as also noted on page 176, BDO highlighted a number of recommendations relating to the Company's IT General Controls, identified during the course of their audit.

The majority of their recommendations have been implemented, and there is a plan in place to remediate the remaining items.

The Committee is satisfied that appropriate mitigating, monitoring and review controls exist and a comprehensive action plan is in place to deliver these enhancements.

The Directors confirm that the processes described below have been in place during the 2024/25 financial year and up to the date of approval of the Annual Report and Accounts.

#### Audit Committee

The Audit Committee has a key role in developing appropriate governance and challenge around risk management and considering processes and assurance. It also sets the tone and culture within the organisation regarding risk management and internal control.

#### The Board

The Board has defined its risk appetite for strategic and operational risks. A standard methodology for risk assessment is applied across the Group to assist with monitoring inherent and residual risk and to assist with comparing residual risk against target risk.

The Group had the following key procedures and monitoring processes in place during the year to provide effective internal control:

- an ongoing process to identify, evaluate and manage risks, including the self-certification of controls by risk owners, which is monitored and regularly reviewed by the Risk Management Group and Executive team.
- Significant issues are presented to the Board and Audit Committee;
- the Group's key controls include appropriate segregation of duties that are embedded across the organisation;
- on behalf of the Board, the Audit Committee reviews fraud and anti-bribery policies and procedures and annual anti-bribery training is in place for all employees. There have been no reported instances of bribery or corruption during the period under review;
- the Group has in place a monthly process for, reporting and reviewing financial performance, against its business plan;


- monthly performance packs, including those used to prepare annual and half-year statements, are approved by the CEO and distributed to the Board;
- on behalf of the Board, the ESG Committee reviews the Group's environmental and social related risks;
- the Audit and ESG Committees met jointly in January 2025 to discuss policies, procedures and assurance; and
- the Audit Committee reviews technology risks including IT systems and cyber risk, to ensure that the Group's IT function effectively implements preventative and detective controls to monitor and to mitigate risk.

As required by the Code, the Board, through the Audit Committee has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity.

#### Corporate Governance Code 2024

The Committee has discussed the changes to the UK Corporate Governance Code, the majority of which apply to the Group from the financial year commencing 1 April 2025. In particular, the Committee discussed provision 29 relating to the effectiveness of risk management and internal controls, which will apply for the Group's financial year commencing 1 April 2026.

The Risk Management Group is in the process of identifying our material controls, with a view to ensuring that these are agreed with the Committee along with the relevant processes to document their effectiveness, well in advance of the new provision 29 becoming effective.

 This assessment is further described in the Strategic Report Pages 86 to 93



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### RISK MANAGEMENT AND INTERNAL CONTROLS CONTINUED

#### OUR RISK MANAGEMENT FRAMEWORK

The Audit Committee oversees the Group's risk management framework with the Board retaining overall responsibility for risk appetite and

strategy, in particular for risks relating to valuation, development and real estate. The overall risk management framework is reflected below.

##### Board of Directors

- Sets the Group's overall risk appetite, tolerance and strategy.
- Oversees the Group's principal risks, including property valuation, development and real estate risks.
- Receives advice and recommendations from the Audit Committee and Executive Committee.

##### Audit Committee

- Oversees the Group's risk management framework.
- Reviews the Company's annual report disclosures on internal control systems and risk management prior to endorsement by the Board.

##### Executive Committee

- Oversees and manages the Group's day-to-day risk management procedures.
- Reports to the Audit Committee on the operation and effectiveness of controls.

##### Risk Management Group

- Chaired by the Head of Security and Risk Management and responsible for the implementation and embedding of risk management activities.
- Reviews and challenges the risk information provided by Risk Owners.
- Reports to the Executive Committee, although the Audit Committee has the power to request attendance or reports from the Risk Management Group directly if it is felt this is necessary.

##### Risk owners

- Each risk identified by the Group is assigned a Risk Owner.
- Risk Owners are responsible for monitoring, managing and reporting on their risks, as well as identifying any emerging risks.

#### OUR RISK MANAGEMENT PROCESS



##### Identification

- Risks are identified when projects are being considered or through being raised organically by members of staff.
- Identified risks are captured in Risk Registers.
- A Risk Owner is assigned to each risk and has responsibility for assessing and monitoring that risk.



##### Assessment

- Each risk is assessed and scored according to the potential impact and likelihood of it materialising.
- Each risk is given an Inherent Risk Score (pre-controls) and a Residual Risk Score (post-existing controls).
- Each risk is also assigned a Target Risk Score representing the Group's risk tolerance for that risk.



##### Response

- Each Residual Risk Score is compared to its Target Risk Score.
- If the Residual Risk Score is higher than the Target Risk Score, action is taken to reduce it towards the target.
- Controls are assigned an owner who is responsible for monitoring whether the controls operate effectively.



##### Monitoring and reporting

- Risks are regularly monitored by the Risk Owners.
- Control owners regularly certify that their controls continue to operate effectively.
- The Risk Management Group oversees this activity and escalates significant changes and new risks to the Executive Committee, Audit Committee and/or Board as appropriate.

#### INTERNAL AUDIT

Due to its size and lack of complexity, the Group does not have an internal audit function, a matter reviewed by the Audit Committee during the year. The Committee has advised the Board that, currently, it considers there to be no need for an internal audit function. The External Auditor has confirmed this currently has no impact on their audit approach.

The Group has a Head of Security and Risk Management whose responsibilities include chairing our Risk Management Group and the ongoing maintenance of our risk management and control processes.

As part of our evolving internal assurance processes, the Head of Security and Risk Management has continued with a series of departmental control reviews across the business with 10 completed during the year. No significant issues were identified from these reviews.

To supplement reviews of risk management and internal control, a programme of operational, facilities management and health and safety reviews are undertaken across our properties by qualified senior head office personnel. Any significant findings will then be reported to the Audit Committee.

In addition, all key controls are recorded on a central register and, every six months, control owners are required to certify the effectiveness of controls for which they are responsible and to provide details of further actions to address any identified ineffectiveness. No significant issues were identified during the year.