


# Audit, Risk and Internal Control

The Board has established procedures to manage risk, oversee the framework of internal controls and determine its risk appetite to achieve its long-term strategic objectives.


## Audit and Risk Committee

The Audit and Risk Committee Report describes the Committee's activities in discharging its responsibilities during the year.

 Further details are provided in the Audit and Risk Committee Report

## Property Valuation Committee

The Property Valuation Committee has oversight of the independent valuer and valuation process and recommends the quarterly valuations to the Board following its review of the external valuer's methodology and assumptions.

 Further details are provided in the Property Valuation Committee Report on page 98

Mark Batten has recent, relevant financial expertise for the purposes of satisfying the Code and collectively the Committee members have a broad range of financial, commercial and property expertise, sufficient to fulfil their responsibilities in relation to both financial and risk matters and to be able to advise the Board.

## Audit and Risk Committee

Members	Attendance
Mark Batten (Chair)	3/3
Helen Beck	3/3
Richard Jones	3/3

### Focus areas for 2025/2026

- Annual and Interim Report
- Implementation of the 2024 UK Corporate Governance Code and Minimum Audit Standard
- Internal audit review and findings
- Risk Management Policy, and principal and emerging risks review
- External auditor evaluation



Meetings of the Audit and Risk Committee are attended by the Chair, Chief Executive and Chief Financial Officer, and external auditor and internal auditor. The external auditor is given the opportunity to discuss matters without management present.

### Terms of reference

The Committee's terms of reference set out its responsibilities which include consideration of the following:

- Financial reporting, including significant accounting judgements and accounting policies;
- Development of a comprehensive Risk Management Policy for adoption by the Group;
- Evaluation of the Group's risk profile and risk appetite, and whether these are aligned with its investment objectives;
- Ensuring that key risks, including climate-related risks, are being effectively identified, measured, managed, mitigated and reported;
- Internal controls, controls testing and risk management;
- Ensuring compliance with the FRC's Minimum Audit Standard;
- The Group's relationship with the external auditor, including effectiveness and independence;
- Internal audit and assurance services, including review of reports and assessment of control weaknesses; and
- Reporting responsibilities.

## Audit, Risk and Internal Control *continued*

### Activity

The Audit and Risk Committee met three times during the year ended 31 March 2026 and considered the following routine matters:

- Draft Annual and Interim Reports for the year ending 31 March 2026 for the Group, including the fair, balanced and understandable assessment;
- Audit and accounting key judgements and issues of significance;
- Going concern and viability assessments;
- Valuation process and external valuer effectiveness;
- Risk Management Policy and appetite;
- Risk matrix, principal and emerging risks and mitigating controls;
- External audit reports to the Committee including audit plan and fees;
- The effectiveness of the audit process and the independence of KPMG Audit Limited;
- Internal audit reports, findings and recommendations;
- The effectiveness of internal controls and risk management;
- Stock Exchange announcements for the annual and half-year results and quarterly dividends;
- Corporate Governance Code and Minimum Audit Standard compliance;
- Economic Crime and Corporate Transparency Act 2023 and failure to prevent fraud compliance;
- Impact of Strategic Review on financial reporting; and
- Committee effectiveness.

### Financial reporting and significant reporting matters

The Committee reviews all financial information published in the annual and half-year financial statements including the accounting policies adopted by the Group, the presentation and disclosure of the financial information and the key judgements applied by management in preparing the financial statements.

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee considered whether the 2026 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's strategy, business model and performance. Following its review, the Committee was satisfied that these requirements had been met.

### Key areas of judgement

#### Valuation of investment properties

The principal area of judgement by the Committee in reviewing the financial statements is the valuation of the Group's investment properties.

The valuations are performed quarterly by the external valuer and are overseen by the Property Valuation Committee. These are a key component of both the annual and half-year financial statements and are inherently subjective, requiring significant judgement. Members of the Property Valuation Committee, together with members of the Picton team, meet with the external valuer each quarter to review the valuations and underlying assumptions, including those applied in the year-end valuation process.

The Chair of the Property Valuation Committee reported to the Audit and Risk Committee at its meeting on 27 April 2026 and confirmed that the following matters had been considered in discussions with the external valuer:

- Current property market conditions and prevailing trends;
- Quarter-on-quarter changes focusing on movements greater than 5%;
- Impact of break notices and capital expenditure on the valuation;
- Property portfolio yields;
- Letting activity and vacancies;
- Covenant strength and lease lengths;
- Estimated rental values; and
- Comparable market evidence

The Audit and Risk Committee reviewed the report from the Chair of the Property Valuation Committee, including the assumptions underpinning the valuation. The Committee assessed the appropriateness of these assumptions in light of current market trends and conditions and examined valuation movements compared with previous quarters. Following its review, the Committee concluded that the valuation was appropriate for inclusion in the financial statements.

The external auditor presented its findings to the Committee and reported that there were no areas of concern or difficulties in performing its audit procedures. In particular, no issues were identified regarding management's assumptions or judgements in preparing the financial statements, including in relation to the key judgement area, valuation of investment properties.

 The Committee is satisfied that the 2026 Annual Report is fair, balanced and understandable.

#### Mark Batten

Chair of the Audit and Risk Committee

## Audit, Risk and Internal Control *continued*

### Strategic Review

On 12 May 2026, a non-binding indicative all-share offer ('Proposed Offer') from LondonMetric Property Plc and Schroder Real Estate Investment Trust Limited was announced.

An emphasis of matter referencing the non-binding offer has been included in the auditor's report. Their opinion is not modified in respect of this matter.

There were no other key areas of judgement which the Audit and Risk Committee identified in conjunction with the external auditor.

### Other key areas of judgement

Climate change is not considered a key audit matter by our external auditor. Please refer to our climate related disclosures on pages 64 to 72 for further information on climate change.

### Fair, balanced and understandable

The Committee is satisfied that the 2026 Annual Report is fair, balanced and understandable and includes the necessary information as set out here, and it has confirmed this to the Board.

### Risk management

The Board has ultimate responsibility for risk management and internal controls within the Company and adopts a structured approach to consider these. The Board reviews the Risk Management Policy at least annually to ensure it aligns with the Company's strategic priorities.

The Committee is responsible for overseeing the development and implementation of the Risk Management Policy including a review of the principal and emerging risks alongside risk scoring, control effectiveness and risk appetite. The Committee reports to the Board on these matters.

During the year, the Committee reviewed its Risk Management Policy and confirmed that there were no changes required.

The Risk Management Policy is intended to:

- Identify principal risks that may significantly affect strategic goals and objectives;
- Define risk appetite and parameters for risks;
- Embed a risk culture which underpins the evaluation and identification of risks and protects shareholder value; and
- Meet legal and regulatory requirements.

The Committee also reviewed the updated risk matrix which identifies the risks within each business area and related activities. The scoring of the risks and control effectiveness were considered and helped define the principal risks. The Committee noted some changes in risk trends which were in line with expectations and the operating environment. Whilst the principal risks remained unchanged, additional emerging risks were identified and cyber risk was determined to be worthy of separate consideration having been previously included as an operational risk. Further detail is provided on pages 43 to 49.

In relation to emerging risks, the Committee specifically considered the Company's exposure to cyber risk, both within its own operations and through those of its largest outsourced supplier, CBRE. The Committee noted the controls currently in place to mitigate these risks as far as practical.

The Committee is satisfied that the risk management processes in place, on behalf of the Board, remain robust and appropriate for the year.

### Internal controls

The Committee is responsible for reviewing the adequacy and effectiveness of internal controls on behalf of the Board.

The Committee reviews the system of internal controls through its risk management process, oversight and challenge of management reporting

and reviewing findings from the internal assurance services. This review has been in place throughout the full financial year, and up to the date of the approval of the financial statements. The Board is satisfied that the system of internal controls and risk management framework remain effective.

BDO provides internal audit and assurance services to the Group. The Committee agrees to a programme of reviews with the most recent scope areas covering capital expenditure, IT controls and a review of previous findings completed last year. This year the Committee has been focused on progressing previous findings and the smooth implementation of a new accounting system rather than new scope areas. Given the new finance system introduced during the year and the Strategic Review, the Committee agreed to defer a decision on future scope until late 2026.

The Committee has also considered key service providers and, in this context, has received and reviewed a copy of CBRE Limited's Real Estate Accounting Services Control Report as at 31 December 2025. This report was prepared in accordance with International Standard on Assurance Engagements 3402 and provides comfort on the suitability of the design and operating effectiveness of controls of the property management accounting services. There were no issues or areas of concern raised in the Control Report and a bridging letter has been provided to give comfort on controls in place for the period from 1 January to 31 March 2026.

Finally, the Audit and Risk Committee has held discussions with the external auditor to ensure there are no issues of concern in relation to the audit of the financial statements. Representatives of senior management were not present for these discussions.



For more information:

**Climate-related disclosures**  
page 64

**Risk management** page 42

## Audit, Risk and Internal Control *continued*

### 2024 UK Corporate Governance Code

The Committee reviewed its compliance with the new 2024 UK Corporate Governance Code and considered the requirements set out in the FRC's Audit Committees and the External Audit: Minimum Standard. Throughout the year, both management and KPMG provided regular updates to the Committee.

The requirements under Provision 29 of the Code will apply for the 2026/2027 financial year. Management, supported by BDO, has been developing the Company's approach to achieve compliance with Provision 29, to ensure that the Board is positioned to meet these requirements next year.

### External auditor

#### Independence and objectivity

The Committee is responsible for monitoring the external auditor's independence and objectivity.

The Group operates a policy that non-audit work is not awarded to the external auditor where there is any risk that its independence could be compromised. The Committee monitors the level of fees incurred for non-audit services to ensure they remain immaterial, and seeks confirmation, where appropriate, that separate personnel are involved in any non-audit services provided to the Group. The Committee must approve in advance all non-audit assignments to be carried out by the external auditor.

The external auditor has not been engaged to perform non-audit work during the financial year ending 31 March 2026 (2025: £nil).

The fees payable to the Group's auditor and its member firms are as follows:

	2026 £000	2025 £000
Audit fees	227	218
Interim review fees <sup>1</sup>	–	38
Non-audit fees	–	–
	<b>227</b>	<b>256</b>

1. For the half-year results for 30 September 2025, the Committee decided to no longer engage KPMG to perform an independent review.

KPMG has provided written confirmation of its independence to the Committee and the Committee has concluded that KPMG has remained independent and objective throughout the year.

### Oversight of external auditor and audit process

The Committee is responsible for overseeing and assessing the effectiveness and quality of the external auditor and the external audit process throughout the year, taking into consideration relevant UK professional and regulatory requirements. The Committee Chair and the Finance team meet with the audit partner and audit team members outside of the regular Committee meetings, to discuss audit matters raised during the year.

In 2025, an assessment of the external auditor and the audit process was carried out by way of a questionnaire and completed by Committee members, the remaining Board Directors and members of the finance team.

As part of this assessment, the Committee considered:

- The external auditor's qualifications, expertise and resources;
- The external auditor's independence and objectivity;
- The extent to which the external auditor demonstrated professional scepticism and challenged management's assumptions during the audit, particularly in relation to the quarterly portfolio valuations;
- The overall performance of the audit team in terms of audit quality and delivery of service; and
- The level of remuneration.

The Committee also considers the external audit plan, setting out the auditor's assessment of the key audit risk areas and reporting received from the external auditor in respect of the year-end report and accounts.

The Committee concluded from the results of the assessment that it was satisfied as to the qualifications and expertise of the KPMG audit partner and team; and with the overall quality of the audit process.

KPMG Audit Limited has been external auditor to the Group since 2009 and following a tender process carried out in February 2020 was reappointed for a further ten-year term. The current audit engagement partner, Steve Stormonth, has completed four years as audit partner.

The Committee recommends that KPMG Audit Limited is recommended for reappointment at the next Annual General Meeting.

#### Mark Batten

Chair of the Audit and Risk Committee  
11 June 2026

 During the year, the Committee reviewed its compliance with the new 2024 UK Corporate Governance Code.