



# Gryllus Property Limited & Gryllus Holdings Limited Key Audit Findings

For the year ended

**31 March 2021**


Knowing all your business,  
tax and wealth needs






# Our values



Our values define who we are and how we do things at Kreston Reeves. They reflect our attitudes and behaviours and represent a promise of quality, personal service and commitment to our clients, communities and colleagues.

Collectively and individually we aim to:



|  |  |   |
|--|--|---|
|  <h3>Make it personal</h3> <p>Tailor our solutions and approach to a client's needs</p> <p>Work and communicate in the way you prefer</p> |  <h3>Understand</h3> <p>Understand a client's broad context</p> <p>Appreciate their particular situation and priorities</p> <p>Listen; ask; be curious</p>            |  <h3>Look ahead</h3> <p>Anticipate a client's future needs</p> <p>Embrace change and think innovatively</p> <p>Help people and organisations adapt to new opportunities</p>                                      |
|  |  <h3>Be crystal clear</h3> <p>Communicate clearly, with the right language</p> <p>Always keep our clients 'in the loop'</p> <p>Think clearly and act decisively</p> |  <h3>Be human</h3> <p>Understand our clients as people, including their concerns, priorities and emotions</p> <p>Be friendly and approachable</p> <p>Make a positive impact in helping our clients succeed</p> |

**Key Audit Findings  
For the year ended 31 March 2021**

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**Key Audit Findings  
For the year ended 31 March 2021**

**1. Introduction and audit summary**

The purpose of this report is to bring to your attention our findings from the recent audit carried out on Gryllus Property Limited and Gryllus Holdings Limited. We appreciate that you will already be aware of the majority of the matters contained in this report through earlier discussions you will have had with the audit team, but we hope that you will find this report a useful summary of those discussions.

We would like to take this opportunity to thank Martin Field and the rest of your accounts team for the assistance they have provided to us during the course of our audit.

Our audit has given us a unique opportunity to understand your business and processes. We have used this opportunity to provide you a service that is of real positive benefit to you.

During the course of our audit work this year we have performed the following tasks which we hope that you will have found to have been of benefit.

- We have assisted you with the preparation of the company's financial statements, ensuring that they comply with all statutory requirements and with accounting standards. In doing so we have ensured that the company has taken advantage of any accounting exemptions available to it so as to avoid any unnecessary over-disclosure of the company's affairs that are not required to be published in publicly available financial statements.
- In order to be able to assist you with the preparation of the company's financial statements we have highlighted to you misstatements in the accounting records discovered by our audit work, and worked with you to ensure that where material these have been corrected. Further information related to misstatements discovered during our audit are set out in Section 5 of this report and supporting Appendix II.
- As part of our audit we have reviewed the financial reporting framework under which the company prepares its financial statements. As part of this review we have ensured that the company is complying with international accounting standards in conformity with the requirements of the Companies Act 2006.
- With the assistance of our specialist tax department we have calculated the company's corporation tax liability for the year. In doing so we have ensured that all relevant reliefs have been taken advantage of in order to minimise the company's liability. Following approval of the financial statements and the completion of our audit our tax team will produce your tax return and work with you to ensure that the company's filing obligations are met. This will include ensuring that the company's financial statements comply with electronic tax filing requirements. For further details see Section 4 of this report.
- We have reviewed the company's systems of accounting and internal control systems and made recommendations where these can be improved. These are detailed at Section 6 of this report.

**Gryllus Property Ltd & Gryllus Holdings Ltd**



**Key Audit Findings  
For the year ended 31 March 2021**

Should you have any questions regarding any of the issues raised in this report please contact Graham Hunt as the partner responsible for the audit of your company, or any other member of the audit team, who will be happy to provide further explanations as required.

**Kreston Reeves LLP**

Statutory Auditor  
Chartered Accountants

**October 2021**

**Key Audit Findings  
For the year ended 31 March 2021**

**2. Audit report**

We can confirm that our audit has not revealed any matters which will require modifications to our audit report. Thus at this stage we expect that an unqualified audit opinion will be issued.

The audit report for Gryllus Property Limited does, however, contain an emphasis of matter paragraph which draws readers' attention to the fact that the valuation of the investment properties in the 2020 accounts was reported on the basis of 'material valuation uncertainty'.

*Audit report format*

We would like to advise you that this year, our audit report will be required to reflect recent changes to International Standards on Auditing that have come into force.

*Going concern*

Our reporting on the use of the going concern basis of accounting will reflect the enhanced procedures which we are now required to perform on every audit, regardless of whether the entity is in financial difficulty. As your auditor, we must carry out a process of independent testing and examination on the entity's assessment of its prospects and form our conclusion based on sufficient and appropriate audit evidence.

We previously reported by exception as to whether the directors' use of the going concern basis of accounting was appropriate and whether appropriate disclosures were made. Now, our report will include a conclusion that we have not identified, either individually or collectively, any events or conditions that result in a material uncertainty that may cast doubt over the entity's ability to continue as a going concern and that the directors' use of the going concern basis of accounting is appropriate.

In effect, our report will provide positive confirmation that we agree with the use of the going concern basis of accounting in the preparation of the financial statements.

*Irregularities including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. As part of our audit, we design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud.

Our audit report must now explain to what extent our audit was considered capable of detecting these irregularities, notwithstanding our past experience of the honesty and integrity of the entity's management and of those charged with governance. Whilst this was previously only a reporting requirement for public interest entities, this has now been extended to all audit reports.

**Key Audit Findings**  
**For the year ended 31 March 2021**

**3. Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of greatest significance in our audit of the financial statements. These include the significant risks of potential material misstatement that we identified during our planning of the audit and had the greatest impact on our overall audit strategy, which we advised you of in the Audit Plan issued to you prior to the commencement of our work.

We can now report to you how our audit addressed these areas of significant risk and the conclusions we formed.

| <b>Audit Risk</b>   | <b>Audit response</b>  |
|---------------------|--|
| Revenue Recognition | <p>The rental income was proven in total as part of our audit work. There was an immaterial difference here of £8,048 which was just 0.72% of the total rental income.</p> <p>Copies of new lease agreements have been obtained and reviewed, and it was confirmed that there have been no further rent reviews in the period.</p>                               |
| Property Valuation  | <p>The valuation of the properties was assessed as part of our audit work. The independent surveyor was agreed to the RICS website to ensure they were an appropriately qualified chartered surveyor. We confirmed that the valuation was carried out in accordance with IFRS 13, therefore the property valuation was deemed to be sufficient and reliable.</p> |
| Management Override | <p>Journals were reviewed against expectations. There were no unexpected journals identified and no identification of management override in the audit work.</p>   |

**Key Audit Findings  
For the year ended 31 March 2021**

**4. Taxation**

As part of our audit we have assisted you in calculating the current and deferred tax provisions for inclusion in the financial statements. In order to ensure that our independence and objectivity as the company's auditor is not impaired this work has been undertaken with the assistance of our specialist corporation tax department.

The provisions has been made based upon the information provided to us during the course of our audit. Following the approval of the financial statements we will provide you with the company's corporation tax return for your approval and confirm the details of the company's corporation tax liability for the year.

**5. Misstatements encountered during the audit**

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

A full summary of adjustments made to the company's results during the course of the audit, including a reconciliation between your management information and the financial statements, can be found within Appendix II.

You should review these adjustments in order to satisfy yourselves that they have been properly made. Confirmation that you have done so should be communicated to us within the letter of representation.

**6. The accounting and internal control systems**

We can confirm that we have found the company's accounting and internal control systems to be appropriate to the company's needs based upon the nature and complexity of your activities and the need for any systems to be cost effective. No matters have come to our attention during our audit to suggest that any serious error has arisen with these systems during the accounting period under review. Thus we believe that the systems can be relied upon to produce financial statements that show a true and fair view.

There are however a number of suggestions that we have made regarding the accounting and internal control systems, and these are set out in Appendix III.

Please note that the purpose of the audit was to enable us to express an opinion on the financial statements. Our audit did include consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in such circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. The matters being reported to you are limited to those deficiencies that we have identified during our audit, which was conducted on a test basis, and that we have concluded are of sufficient importance to merit being reported to you, but this does not represent a comprehensive statement of all weaknesses which may exist in the accounting and internal control systems or of all improvements which may be made. We can only address those matters which have come to our attention as a result of the audit procedures which we have performed.



**Key Audit Findings  
For the year ended 31 March 2021**

**7. Qualitative aspects of the company's accounting practices and financial reporting**

As part of our audit we have considered and reviewed the company's accounting policies in line with international accounting standards and in conformity with the requirements of the Companies Act 2006 and we have not encountered any material departures. In our opinion the accounting policies selected are appropriate to the circumstances of the company.

**Key Audit Findings  
For the year ended 31 March 2021**

**Appendix I – Other matters required by International Standards on Auditing to be communicated to you**

*Audit report – further information*

Our audit report contains details of the scope of the audit of the financial statements conducted in accordance with legislative requirements and International Standards on Auditing. Further information on the scope of the audit is set out on the website of the Financial Reporting Council and can be found using the following link:

<https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>

The original audit report will be signed by Graham Hunt, being the Senior Statutory Auditor for this assignment, for and on behalf of Kreston Reeves LLP. The financial statements incorporating the original audit report should be retained with the company's other permanent documents. Copies of the financial statements that require a signed audit report, including for filing with Companies House, will be signed as Kreston Reeves LLP as the statutory auditor.

Our audit report has been drafted in accordance with International Standards on Auditing and the latest guidance from the Financial Reporting Council and our Institute. This involves the inclusion of a paragraph which clarifies what our responsibilities as auditors are. It does not affect our responsibilities to the company or yourselves, nor does it mean we would be unwilling to accept responsibility to any third parties, providing that our specific agreement to do so is obtained beforehand.

*Independence*

We can confirm that we have re-evaluated our firm's independence in connection with the audit and can confirm that we are not aware of any factors affecting our independence or objectivity and thus our ability to continue to act as auditor of the company.

*Letter of representation*

Before we can complete our audit, we require from you a letter of representation on your headed notepaper. A draft version of such a letter accompanies this Memorandum. The letter will provide us with additional evidence in areas where we have relied upon representations from staff members during the audit. We suggest that this letter is signed by a representative member of the Board of Directors and that you make your own enquiries of staff to verify that you support the representations that have been made.

*Liability*

This report has been drafted solely to report to you as directors matters in relation to our audit. It has not been drafted with any third parties in mind and thus must not be disclosed to a third party, or quoted or referred to, without our written consent. We do not accept responsibility to any third party in respect of our audit or this report.

**Key Audit Findings  
For the year ended 31 March 2021**

**Appendix II - Summary of adjusted misstatements**

| No       | Narrative   | Nominal | Dr        | Cr                | Effect on P/(L)                 |
|----------|---|---------|-----------|-------------------|---------------------------------|
|          |   |         |           | <b>Draft loss</b> | <b>(1,569,971)</b>              |
| <b>1</b> | External Investment Short Term                                      | 92138   |           | 1,026,001         |                                 |
|          | Share Capital Issue   | 97001   | 1,026,001 |                   |                                 |
|          | Debtors - prepayments   | 2103    | 995       |                   |                                 |
|          | General Fund Budget Reserve   | 92605   |           | 995               |                                 |
|          | <b>Opening balance adjustment to agree to signed accounts</b>       |         |           |                   |                                 |
| <b>2</b> | Manual Sundry Creditors   | 92801   | 905,506   |                   |                                 |
|          | Accruals  | 92809   |           | 905,506           |                                 |
|          | <b>Reclassifying loan interest from other payables to accruals.</b> |         |           |                   |                                 |
| <b>3</b> | Rental Income   | 9510    | 205,583   |                   | (205,583)                       |
|          | Manual Sundry Debtors   | 92701   |           | 205,583           |                                 |
|          | <b>Reclassifying year end debtor to rental income received.</b>     |         |           |                   |                                 |
| <b>4</b> | Corporation tax (P&L)   | 9801    | 16,976    |                   | (16,976)                        |
|          | Corporation tax payable   | 3201    |           | 16,976            |                                 |
|          | <b>Corporation tax charge</b>                                       |         |           |                   |                                 |
|          |   |         |           |                   |                                 |
|          |   |         |           |                   | <b>Revised loss (1,792,530)</b> |

**Key Audit Findings  
For the year ended 31 March 2021**

**Appendix III – Summary of recommendations regarding the accounting and internal control system**

**Recommendation brought forward from prior year audit**

***Filing at Companies House***

Where share capital has been issued in the year, it has come to our attention that the relevant statutory forms have not been kept up to date. This means that there is currently no record of the changes in share capital at Companies House.

We recommend that this be resolved as soon as possible, and in the future you should ensure that all filing at Companies House is kept up to date to ensure compliance with laws and regulations.

***Update for 2021:*** *The changes in share capital have now been reflected at Companies House and all filings are up to date. Recommendation is not carried forward.*

**Recommendation arising from current year audit**

***Late payment of VAT to HMRC***

During the year, it was noted that the VAT due to HMRC for one quarter was paid late such that a penalty fine was incurred. This late payment arose due to a staff absence. A continued occurrence of late payments of VAT within a 12 month moth period could increase the severity of the penalty enforced by HMRC.

We recommend that this could be resolved in the future by ensuring a second member of staff has the ability to make the respective payment to HMRC to mitigate the risk of staff absence and subsequent late payments.

***Reconciliation of rental income***

As part of our audit an adjusting journal of £205K has been recognised. This represented a material error on income in the trial balance presented to us for audit.

We recommend that a reconciliation of rental income is performed at each quarter end against the rental income expected based on the lease agreements in existence and variances should be investigated.



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